BÍRÓ TAMÁS

FREE
E-BOOK

INNOVATION AT STARTUP SPEED

PLAYBOOK FOR BUILDING STARTUPS AND CORPORATE STARTUPS
THAT EXCEL IN DIGITAL INNOVATION

Readiness /ˈrɛdɪnəs/ *noun*

: the state of being fully prepared for something.

: willingness to do something.

How to use the Digital Readiness Framework

Most transformative programs or startup building frameworks focus on the mechanics. This document focuses on the mindset and the preparation of leaders. Mechanics is easier to *sell*, but we believe it is the thinking and deep understanding behind the mechanics that really matter. Understanding leads to *readiness*.

Use this document as a high-level playbook to overview what is inescapable for *digital readiness* and to understand how the elements can and must work together. Explaining the working mechanics of the elements in detail is beyond scope.

There are 34 different building *blocks* and 14 *practices* presented. Their interconnection and interdependence, how they fit together as an integrative and holistic system is what makes the concept of *digital readiness* unique.

For each building block, we give a brief definition, followed by reference to validation and justification. Subsequently, practical advice is given as to who is accountable and responsible for the building block, what process or change management is required. Where relevant, a scope and ways of communication are listed, too. We complement each building block with options, related challenges, common pitfalls or sources of ambiguity. Last, but not least, we show how the given block relates to other blocks.

The science and theories behind the Digital Readiness Framework™ are also pointed at because *digital readiness* is hindered by tradition from the industrial age and popular myths that can be refuted on practical or theoretical grounds.

At the end of the document, we present a roadmap to *digital readiness.*

Text in *italics* has a definition at the end of the document.

Version history

Version 1.0

The first version of Digital Readiness Framework was a simple Business Architecture roadmap and a presentation describing it. Elements included Purpose, Vision, Mission, Core Values, Strategic Alignment with OKRs, Agile Cultural Web, Brand Architecture and Customer Experience.

Version 1.1

During implementation, V 1.0 was augmented with Business Model Canvas, Agile Execution, Quarterly Business Review and Big Room Planning.

Version 2.0

After having implemented V 1.0 and V 1.1 for several organizations, the framework was extended to become a complete business architecture framework and roadmap for enhanced strategic alignment, agility and motivation in the digital era. There are 31 different building *blocks* and 14 *practices* presented in V 2.0. It was published in the form of a 55-page e-book, distributed under the Creative Commons (CC-BY-SA) license.

Version 2.1 (current)

After gaining experience from implementing V 2.0, Operational Values, Annual Business Review and Digital Readiness Assessment were added to the framework, and the Agile Execution Pyramid was elaborated in more detail. The distinction between Core Values and Operational Values clears up issues around being values driven and helps executive teams form and manage values better. Digital Readiness Assessment helps companies start the transformation journey, so it was added to the roadmap as step zero. The assessment also helps maintain a values-driven digital-agile company culture, so it became part of the Annual Business Review process, too.

Target Audience

Digital Readiness Framework™ has been created to serve as a practical guide for startup founders, executives, managers that yearn for change. It is also useful in building corporate startups. It is size, industry and culture agnostic.

The prime target is the CEO, whose *digital readiness* is critical to the entire organization. This responsibility cannot be delegated. If the CEO is not *ready*, it is almost pointless to deal with the rest of the company. Owners, board members and anyone responsible for appointing CEO-s may also benefit from this guide.

Managers of all levels, agile coaches, Scrum Masters, organizational developers, people managers, IT experts, software developers, product managers, engineers, architects and basically all employees play an important role in *digital readiness*, so this guide is theirs as well.

Consultant, freelancers and any professional in the field of digital-agile transformation are welcome to join the international community of experts delivering the Digital Readiness Framework™.

Digital Readiness Framework™ is for people who want to build workplaces where people say TGIM instead of TGIF.

Digital Readiness Framework™ is free for all to use.

Digital is here. Are you ready?

Preface

The digital era is full of new challenges. In this world, businesses and their managers need a different mindset and different practices to be successful. Only human centered, result oriented, customer focused and change aware businesses will survive, where employees find a meaning in their work. To achieve this culture, leaders must develop a deep understanding of digital technology and agility and must be ready to act. This is *digital readiness*.

Most managers never have the time to gather the knowledge required for this level or readiness. They have a job which is demanding and requires their presence and continuous attention. But if they don't become ready in time, how will they succeed?

The goal of this document is to cut this gordian knot by collecting and condensing the most important scientific and evidence-based findings about running successful digital businesses into an *integrative* and *holistic* framework. To provide a practical guide for managers of all levels to get the most out of doing business in the digital era.

Without the scientific background, managers are likely to be unprepared for doing their job at peak performance. Without a solid understanding of the background of practices they use or learn, they might not be ready to act or change. Inaction is the killer of innovation and greatness.

Following the Digital Readiness Framework™, managers can achieve an unmatched level of employee alignment and efficiency in leveraging digital technology.

This framework is integrative and holistic. It is integrative because it combines many disciplines and theories in one comprehensible and practical unit, ready to be applied in practice in a relatively short time. It is holistic, because it entwines the entire organization, not just parts of it. This framework is made to drive fundamental change in organizations.

This document contains statements that challenge the status quo. At places it may even be curt. Our intention is to say what needs to be said, rather than what managers are comfortable hearing. There may be other correct solutions for digital readiness, ours is one approach that has been proven useful for industry leaders, our own and our clients' companies. It is valid for any industry affected by the digital era, which in 2021 means all companies. Like it or not, managers of today's organizations are managers of technology companies.

This framework is never complete, we will update, expand and correct it from time to time. This is the second major version. It is subject to open scientific debate.

Introduction

Digital Era

The time we live in is the digital era. It is a period where we move away from an industrial based to an information-based economy using computer, mobile or other technology devices as medium or communication.

Digitalization

Digitalization or digital transformation is the adoption of digital technology to transform services or businesses, through replacing non-digital or manual processes with digital processes or replacing older digital technology with newer digital technology.

Digital solutions boost efficiency by automation and bring about new types of innovation and creativity, rather than simply enhance and support traditional methods. Digitalization shall not be mixed up with digitization, which is the process of converting information into a digital format.

Industries

Digitalization concerns all industries. All leaders are digital leaders. All organizations are digital organizations. Leadership in a digital company in the digital era must be different from what is taught in most universities and what is common in most organizations.

Digital is complex

Digitalization is driven by software. Software is complex. Creating software is complex. Creating software is radically different from creating other goods, even from electronic goods. The principles of the industrial age cannot be successfully applied to creating software and thus to digital solutions. Digital companies are built around software, so complexity is everywhere.

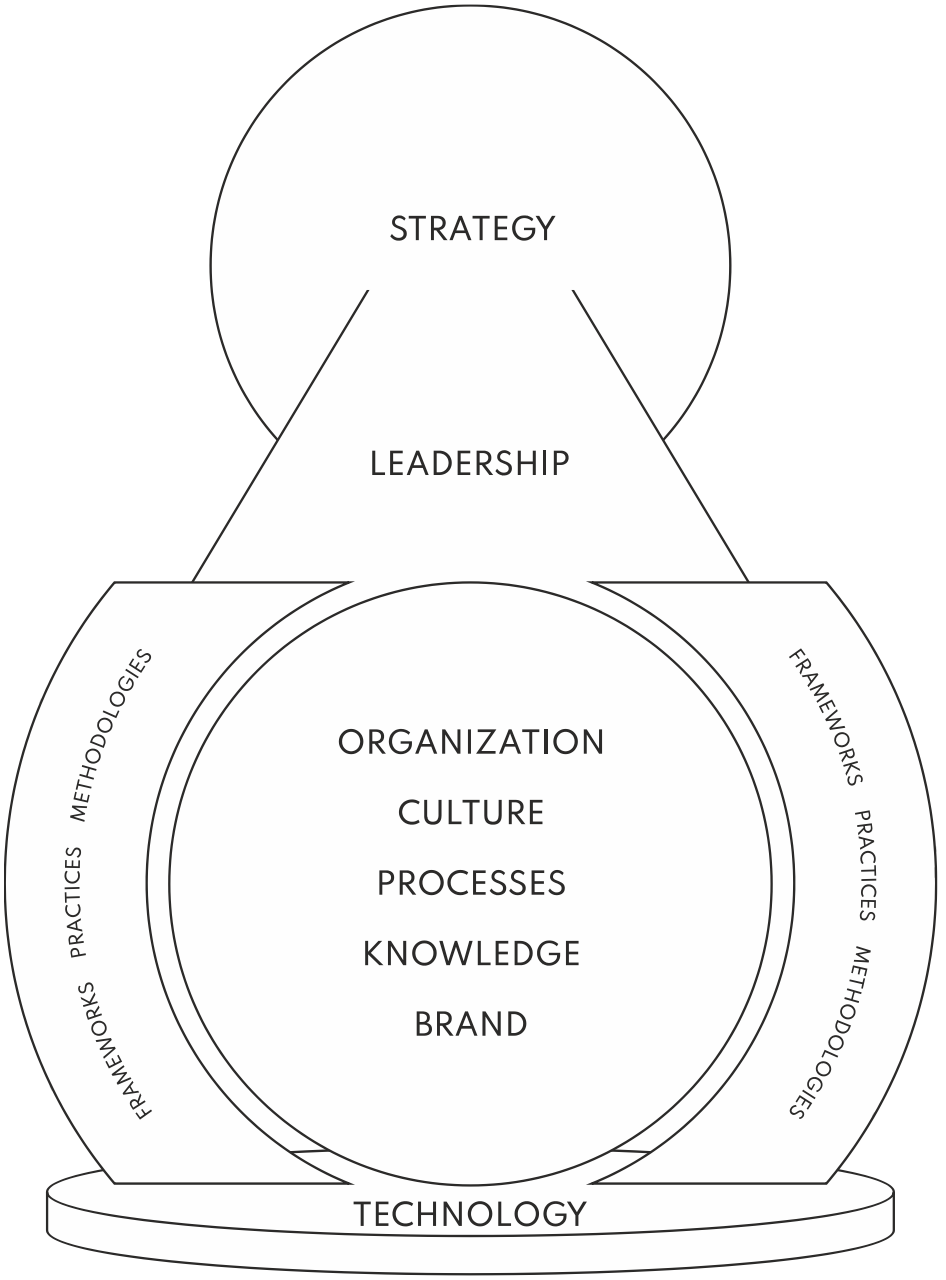
Dealing with digital

Organizations need a fundamentally different approach to dealing with complex work. A radically new style of management is required. When we say radical, we mean it, we need to go back to the foundations of an organization: strategy, leadership, organization and technology, and in the center of all this, human talent. A fundamentally new *business architecture* is required.

Convinced already?

If you are familiar with Business Architecture and the external and internal challenges digital organizations face, you can skip directly to Digital Readiness Framework on Page 20.

Business Architecture



Structure

Companies of all sizes are built around the same logic. There is a strategy that the company wants to follow and there is leadership that translates that strategy into action. The organization has a structure, a culture, different processes, knowledge and brands. There's technology behind all this enabling execution. The organization employs different frameworks, practices and methodologies.

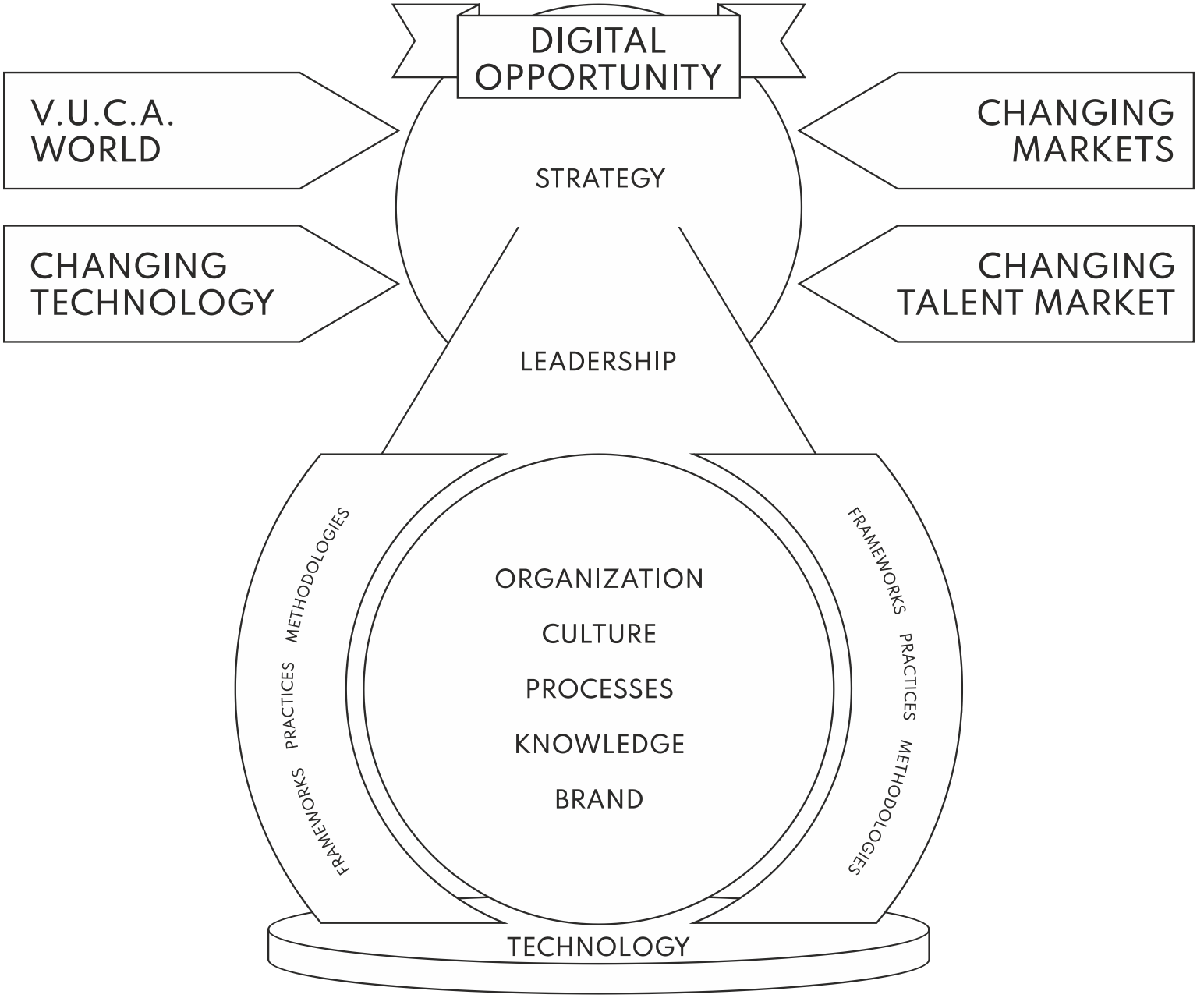
Accountability

Executives are accountable for building and maintaining the Business Architecture. The readiness of the executives, principally the CEO's is key to success. They drive the creation and execution of strategy; they build the organization and its culture. They drive the creation and optimization of processes and accumulation of knowledge. CEOs are accountable for the perception of the company by the public.

Need for change

In the following chapters we'll show what external and internal factors necessitate the radical changes to the business architecture of organization that crave to be *digitally ready*. We'll cover the symptoms of a traditional business architecture and go into the details of the causes. Finally, we point out the most important parts of the Digital Readiness Framework™, before going into the details.

External challenges



Challenges of the digital era

Digitalization, and new technology in itself is a challenge. Global markets are changing, disruptive business models emerge. The talent market is changing as new generations grow up. Demand from customers and shareholders increases. We live in a VUCA world, characterized by volatility, uncertainty, complexity and ambiguity.

Digitalization

Digital technology is all around. It's in our homes and at work. Yet, many people struggle to understand an embrace it. Many have a hard time getting the most out of digital technology. Many businesses also struggle to find value in digital technology and fail to get their digital transformation or digital products right. The chief cause for this is the inability to handle the complexity of digitalization.

Opportunity

At the same time, technology is also an opportunity for growth. It opens new possibilities to organizations that can react quickly and grab the opportunity before the competition. Embracing digital technology is inevitable and is the only path for success in this era. Many experts claim it is also key to survival.

Four challenges and an opportunity

We have grouped many challenges in four categories. In the following five paragraphs, we briefly list these four categories and one opportunity as bullet points. A digitally ready organization will have no choice but to prepare for these challenges. Failure to do so may be the last mistake the company makes.

V.U.C.A. world

- Disruptive regulatory changes
- Global health crises
- Environmental changes
- Natural disasters
- Military conflicts
- Terrorism
- Climate change
- Migration
- Local and global politics
- Globalization of services
- Emergence of new markets
- Natural resource availability changes
- Cultural changes

- Economic crises
- Speed of changes is increasing

Changing markets

- New products
- New business models
- Continuous increase in shareholder expectations
- Extraordinary service level expectations from customers
- Customer delivery speed expectations rising
- Competition
- Disruptive startups
- Social media, word-of-mouth gets to a new level
- Independent influencers
- Raw material price
- Credit price changes
- Energy price fluctuations

Changing Technology

- Changes happen fast
- Enables new competition to emerge
- Enables disruptive startups
- Enables global competition to enter other markets
- Enables new business models
- Shortens supply chains
- New level or automation, surpassing human intelligence in certain areas
- Inconceivable speed of data processing on relatively cheap hardware
- Previously unthinkable networking capabilities even without wires
- Diminishing multimedia costs effect the media landscape
- Legal changes enable technology to disrupt previously intact markets
- Enables other scientific domains to make leaps
- Virtually endless capacity available with a click from the cloud
- Mobile devices have become everyday objects for all classes

Changing Talent Market

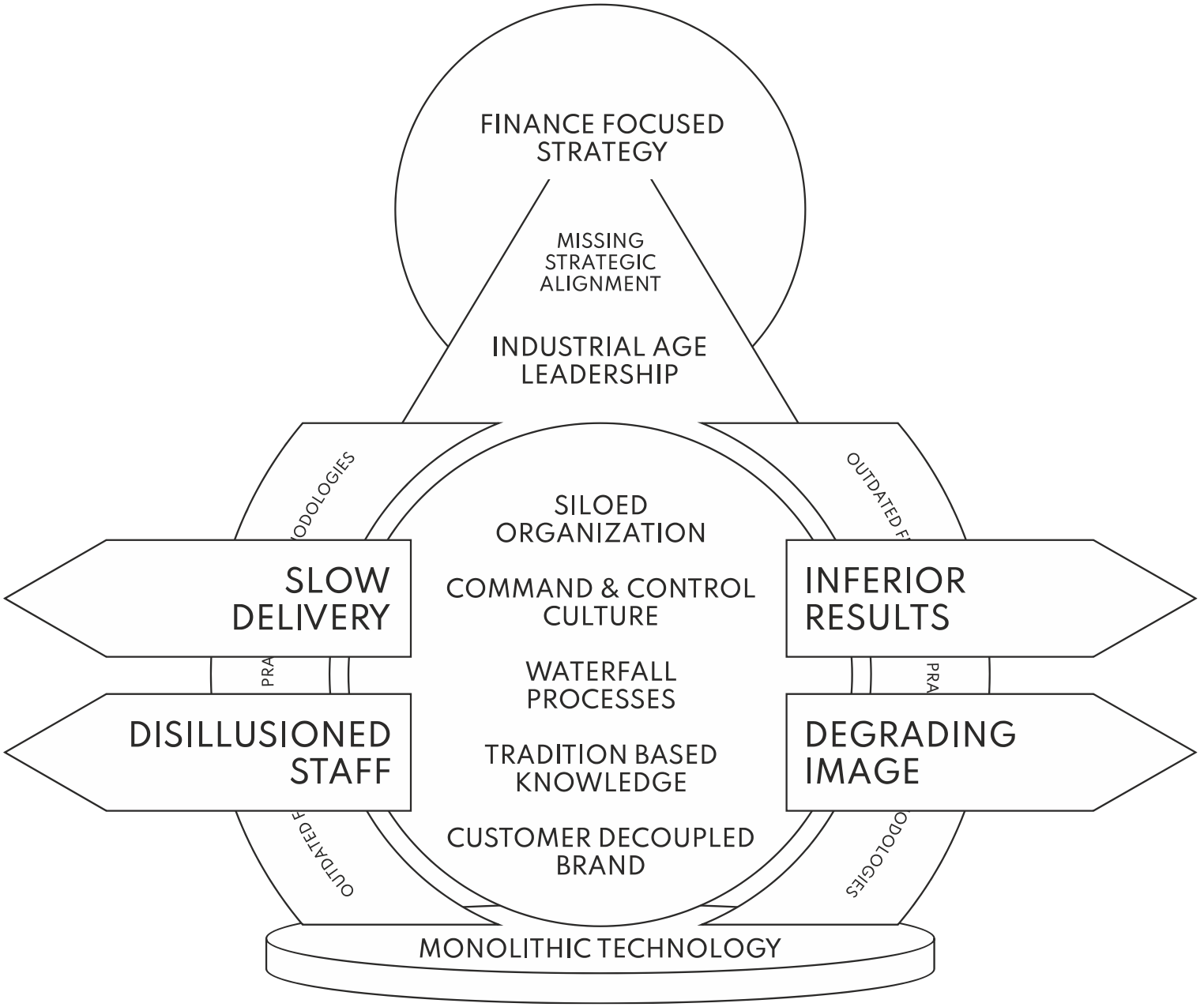
- New generations have radically different attitude towards work

- Rising salaries
- Talent shortage, most notably in the information tech domain
- Tech and business education lagging behind requirements
- Soft skills of tech people are inferior
- Open talent market in the EU/Worldwide
- Rising remote work due to pandemic enables global migration of talent
- Startups are attractive employers
- Large enterprises can afford better remuneration packages
- Acquisition and retention

Digital Opportunity

- Digital readiness, the ability to harness new technology quickly becomes a competitive advantage
- Solve problems humans have not been able to solve
- Automate mundane tasks
- Automate tasks you thought were impossible to automate
- Find new target groups
- Harness other scientific domains powered by digital
- Find new business models
- Cut costs with digital solutions
- Disrupt your competition
- Shorten your supply chain
- Use technology to connect to your customers, even daily
- Scale easily without enormous up-front investment
- Experiment without investment in infrastructure
- Enter other markets
- Use your data in unheard-of ways
- Build on open APIs
- Build on new technology platforms
- Use digital marketplaces
- Use technology to reach and support your customers
- Use the price advantages of other industries enabled by their digitalization
- Use the services of tech startups to benefit from speed and cost advantage
- Use social media to influence, make your brand interactive
- Rely on the digital native culture of new generations of employees
- Harness mobility

Internal issues and challenges



Heritage

Most of the management know-how still taught today has been inherited from the pinnacle of the industrial age. The zeitgeist of the digital era is pretty different. The speed of change and the complexity of technology has rendered the thinking and practices of the industrial era obsolete. It is hard to face this fact, but it has happened regardless.

Flaws

In this chapter we highlight the most fundamental flaws of the business architecture of the pre-digital era. Not all of these flaws are true for all organizations. Different companies are on different levels of digital readiness, and many are almost ready. Still, a number of modern digital companies still exhibit symptoms of these flaws and face challenges listed here. Executives that dare to face these flaws and dare to change might as well be the winners of the years to come.

Strategy

The strategy of the industrial age is finance focused. Instead of focusing on the value generated by people for other people, it looks on strategy as a way to make money. Naturally, digital businesses are also in the *business* of making money, but they embrace the fact that money comes from customers paying for some value they gain from a transaction. People or not motivated by another person's aspiration for wealth, even when they earn a share.

Traditional strategy is also rigid, not able to adapt to external or internal changes. Annual planning with no place for feedback is doomed when changes happen at lightning speed and when complex technology is impossible to plan in advance.

Leadership and alignment

Leaders of the industrial age view employees as somewhat intelligent but costly machines. Managers think their role is to translate strategy into action and act as commanders in an army. They motivate with carrots and sticks. The fundamental flaw of this is that people need the reason why they do a certain task and without this their judgment and actions will be impaired. Furthermore, due to lack of bottom-up information flow, the organization relies on the knowledge of the management, rather than relying in the very people who do the work and interact with clients.

Silos

To support their army like thinking, managers create deep hierarchies and form silos of employees specialized for a given skill or activity. Most companies copy this architecture even today mostly because this is the traditional way very few people dare to challenge. Functional silos find it hard to manage value streams that span multiple silos as they are separated by the hierarchy. Badly distributed financial motivators and the lack of strategic alignment even makes silos and their members adversaries.

Command & Control

As a result of the management style described above, a culture of giving direct orders and trying to control outcomes thrives. Employees become bosses and subordinates. This leads to unidirectional dissemination of tasks and information. Autonomy endeavors are usually suppressed. Rewards and punishment lead to fear, motivation is low due to missing strategic alignment and work becomes a treadmill of grinding tasks.

Waterfall

The industrial age made it possible to plan up front for long periods of time, expecting very little change during execution. This has led to the wide use of waterfall approach where work is broken down into sequential phases. The flaw in waterfall approach is that it does not deal with emergent behavior making it inadequate for managing the complexity of digital solutions and external challenges.

Traditions

Countless organizations are built around traditions. Some traditions are actually values, which help the company define its identity. But most traditions are toxic and based on myths carried forward from the past. Unmanaged knowledge and myths may hinder the company's ability to grow and cope with the challenges of the digital age.

Brand

Digitalization is not only about the technology organizations use, but also about what customers use. The Internet and social media have changed how customers interact with each other and with brands. Customers have never been so close to a brand and to each other. Word of mouth travels on a high bandwidth international network. One directional communication no longer does the trick.

Technology

Monolithic IT architecture is the enemy of innovation and responding to change. Traditional corporate software solutions lack the necessary technology to connect to and build on. They also form data silos which makes the use of data hard. Many organizations still rely on outdated technology that has performance, maintenance and development issues. Many companies are trapped in vendor lock-in. One of the toughest challenges is to replace these antiquated systems while maintaining service levels.

Symptoms and issues

In the following five paragraphs, we briefly list the symptoms of an outdated business architecture and the issues causing them. A digitally ready organization will have no choice but to solve these issues.

Symptoms

- Slow or no innovation
- Slow time-to-market of new products
- Wasting time and resources on project with no or little ROI
- Hindered growth
- Slow speed of delivery of value
- Inferior results, quality or financial
- Failed IT projects
- Never-ending projects
- High cost, low margins, little or no ROI
- No breakthrough
- Disillusioned and unmotivated staff
- Lost motivation and engagement
- Talent retention and attraction issues
- Knowledge lost with leaving employees
- Hard to attract talent, notably digital talent
- High fluctuation, hard to retain talent
- Company politics, corruption
- Strategy unknown to employees
- Employees compelled to go against strategy
- Lost talent to competition
- Degrading image
- Customer complaints
- Digital products not updated frequently
- Inferior execution of strategy
- Lost customers to competition

Strategy issues

- No real strategy, focus on financial goals
- Employees cannot relate to strategy
- No alignment to strategy
- Inability to follow market and customer demand changes
- Lack of customer feedback
- Not use existing technology for customer feedback
- Hiding from customer feedback intentionally

- Useless products delivered, time and money wasted
- Lack of management alignment and commitment to strategy
- Not optimal business models, missed revenues, pricing issues
- Locked in fighting competition, no outside the box thinking
- Technology is not of strategic importance

Leadership issues

- Low engagement or commitment, no purpose
- Command and control-ism
- Carrots and sticks motivation
- Demotivating practices
- Hard to retain and attract talent
- Collaboration issues
- Low efficiency meetings
- Unable to achieve alignment to strategy in subordinates
- Treating people as resources
- No alignment to strategy of management
- Meaningless training events
- Fads
- Treating important issues such as digital-agile phenomenon as fads
- Cost based thinking
- Lack of leadership skills
- Remuneration system out of sync with strategy
- Head of technology is not included in top management
- Measuring irrelevant KPIs
- Slow decision making
- Central high-level decision making for minor issues
- Lack of digital skills required to understand experts and make informed decisions

Organization, process, culture, knowledge, brand issues

- Silos
- Collaboration issues between departments
- No alignment to strategy
- Treating IT as service department
- Impeding service departments (most notably: legal, compliance, procurement, IT operations, IT security)

- No cross functional teams
- Values streams across silos, slow or information flow, no collaboration, no alignment (work against each other)
- Slow speed of innovation
- Slow time-to-market
- Frustration demotivates people
- Bureaucracy, signoff required for everything
- Corporate bullshiitake
- Business model unknown to employees
- No bottom-up information flow, ideas lost
- Marketing is done by marketing alone, brand values not known or shared
- No clear objective, measure everything instead of what really matters
- Internal politics, interest groups, untouchables
- Core value mismatch in key employees
- Hiring without culture fit
- Core values not defined
- Key employees as bottlenecks
- Further cost cutting is not possible
- No organizational units to manage knowledge

Issues with frameworks, practices and methodologies

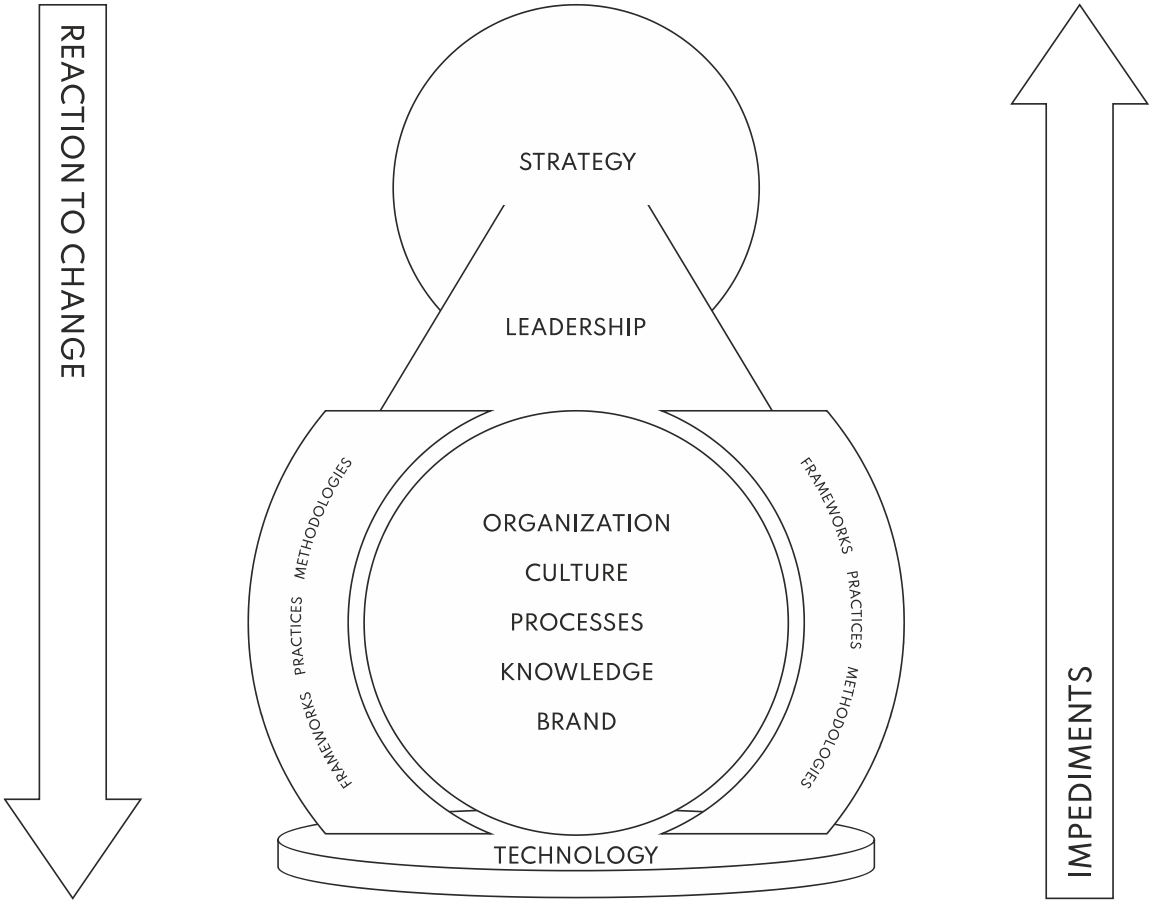
- Wrong or outdated mindset
- Outdated belief systems, toxic myths
- No formal frameworks, practices and methodologies applied
- Wrong framework for the given job
- Inadequate training for frameworks, practices and methodologies
- Waste is not managed
- Leadership decisions made in ivory towers
- User expectations not examined or managed
- People involved in execution do not meet actual customers
- Too much time and effort invested before testing with customers
- Lack of agile skills
- No time to stop to think, BAU must go on
- Constant fire-fighting mode
- Death marches
- Oversized iteration timeboxes, measure and fail too late
- Lack of digital skills

- Outdated engineering practices
- Upfront planning in IT projects
- Deadline fetishism
- IT development and operations decoupled, opposing interests
- Business and technology separated
- Handoffs between specification and execution
- Data no used for decision making
- IT security impedes innovation

Technology issues

- No alignment to strategy
- Digital fallback
- Data resided in silos
- Legacy systems impede innovation
- No way to connect to monolithic systems
- Scalability or performance issues
- Dependence on a few untouchable experts
- New solutions lose focus due to firefighting of existing systems
- Rigid rules
- Bad habits
- Security team risk averse
- Latest know-how missing, no time to learn because of BAU
- Issues balancing short term SLA and long-term investment (innovation, upgrades, learning)
- Vendor lock-in
- Unsupported technology, vendor out of business
- No documentation or source code for custom system
- Usability issues
- Feedback is frowned upon by technology people

Transformation



Opposing forces

When an organization decides to embark on a journey of transformation, leaders and transformation experts observe two opposing forces. One is the force of transformation originating in strategy, driven by the leadership of the organization. The other is an impeding force driven by the issues and challenges of the organization. If the impeding force is larger, transformation does not take place.

Transformation is always an investment and is a typical short-term versus long-term decision. A number of companies make the mistake of focusing on the short-term sacrificing long-term competitiveness or even survival. It seems there is never a right time for transformation, but actually the right time is now. The sooner, the more chance of winning over the competition.

Ability to change

There has been a long debate among organizational development experts on the ability of an organization and its leaders to rapidly make considerable changes. The 2020 pandemic showed us clearly that change can happen fast if it is unavoidable. Leaders shall draw the conclusion that if they are confident and willing, change can happen fast. If leaders believe that the other option is disaster, they can make swift decisions.

Culture, process, technology

Digital transformation has many aspects. We can only talk about successful transformation if strategy, leadership, organization, culture, process, knowledge, brand and technology are all addressed appropriately. Failure to do so cripples digital transformation and business agility.

Always internal

Change can only be internal. No outsider can change your organization. There is a need for a scientific framework and a champion to lead transformation. That champion must be the highest-ranking leader of the organization. Leaders must be ready to transform, to see the big picture, have solid understanding and mental willingness at the same time. Integrative and holistic knowledge gives this confidence to change.

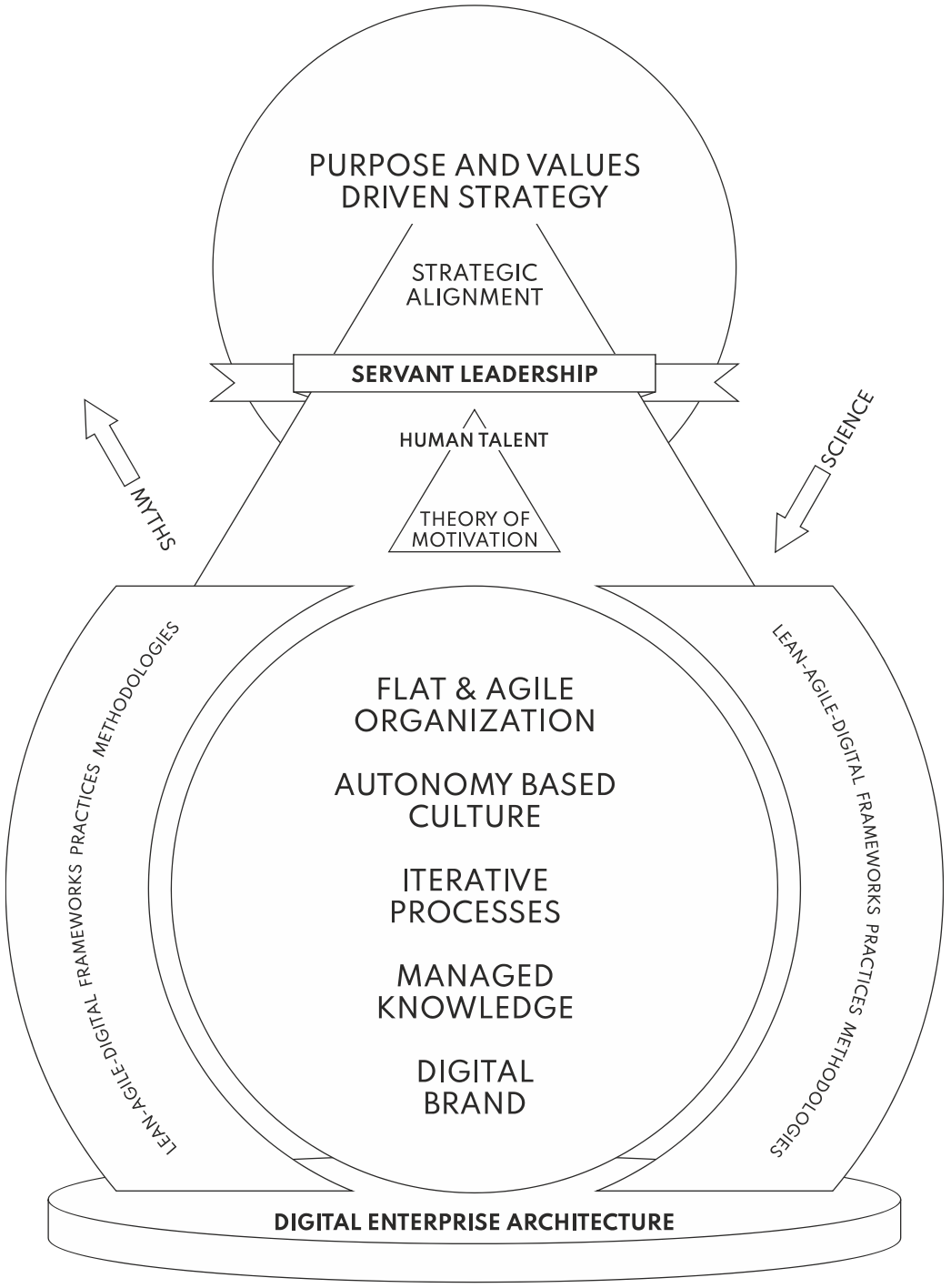
Integrative and Holistic

We believe that only integrative and holistic approach leads to successful digital/agile transformation. Our approach combines many frameworks and disciplines and addresses the digital ready organization as a whole. We have collected the best theories, disciplines, principles, methods and tools for digital/agile work, and connected them to form a system that any organization can apply right away.

Scientific

There's a scientific solution to all your organizational issues. You just have to find it and apply the theory in practice. The million-dollar question is which theory to trust. There are successful organizations out there that do not apply science. Their success is relative, they may be successful compared to competition, but may not be compared to their full potential. Most companies are far from their true potential because they don't follow science and apply outdated methods.

DIGITAL READINESS FRAMEWORK OVERVIEW



Simplicity

Experience shows that overcomplicating the Business Architecture and generally the management of companies is not the solution. A few simple building blocks and practices are enough for success if they are applied properly and in an integrative and holistic manner.

New Mindset

In the center of digital organizations is human talent. To meet the challenges of the digital era, organizations and their leaders must be able to better utilize human talent. This requires a human centric mindset and a better framework for organizing work and keeping people motivated.

Focus on employees, give them freedom and guidance. Measure what matters and adapt frequently. Focus on customer value, not arbitrary indicators. Welcome and harness change. This is the agile mindset adopted to digital business.

Digital requires agile. Built on motivated individuals working in a great motivating company culture. A great workplace is not a pleasantry anymore: it is a necessity for survival.

Agile is a mindset, not a framework or methodology. Agile is not a buzzword or a fad. Those who discredit agile because there are many failed adoptions out there make a dire mistake.

Levels of agility

Leadership agility is the ability of the leadership team (top management) to be able to adapt to changes quickly and lead the digital agile way of life. Strategic agility is the ability of the entire organization to make strategic changes as frequently as necessary. Team agility is the ability of self-managing teams to execute strategy and adapt to changes as quickly and efficiently as possible. Digital success requires all three levels of agility.

Purpose driven strategy

People need a purpose as a source of passion to be motivated. A defined and widely communicated purpose shifts the basis of motivation from money to creating value. The correct combination of long term and short-term objectives give employees strategic alignment and allows for agility and feedback.

Strategic alignment

Translating strategy to everyday action is no longer the responsibility of leaders, but of the entire organization. The knowledge of leaders will stop being a bottleneck for efficiency. Strategic objectives relevant to employees replace commands. Measurable key results and regular reviews replace strict control mechanisms and KPIs.

Servant leadership

Instead of cajoling with rewards or threatening with retribution, leaders shift their focus to maintaining an organization where employees flourish. Managers coach their co-workers instead of treating them like military subordinates. They provide the necessary physical and mental environment and readiness for their teams to perform at peak levels.

Motivation

Digitally ready organization rely on the science of motivation and provide employees with relevant objectives, autonomy and opportunity for mastery. Human talent is central to digital transformation.

Flat & agile organization

Efficient digital organizations are built around value streams instead of functional silos. A flat organization is more agile and gets work done faster in in better quality. Communication bottlenecks and long chains of command are eliminated and replaced by collaboration facilitated by coaches and agile experts.

Autonomy based culture

The culture of digital-agile organizations is built around employee autonomy and core values. Self-managing teams work for strategic objectives they set for themselves in collaboration with their managers. Employees measure their own work an cooperate with managers to learn from the past and make better decisions for the future.

Iterative processes

An agile organization regularly stops to inspect and adapt work. The Agile Execution Pyramid™ allows adaptation daily, monthly, quarterly and annually, while aspiring to fulfill a long-term mission and vision. Unlike the waterfall approach, iterative processes allow the organization to achieve better results in shorter timeframes at lower cost.

Managed knowledge

Digitally ready organization apply methods and frameworks for managing knowledge in a deliberate process, building the organization to support such effort. Instead of relying on tradition and myths, they rely on science and evidence. Knowledge is treated as pivotal to success.

Digital brand

Digital brands connect with customers. They rely on existing technology and build new channels to maintain bidirectional communication with customers. Instead of expensive and superficial annual satisfaction surveys, brand managers rely on direct and timely feedback.

Lean-agile practices, frameworks, practices and methodologies

Executives shall familiarize themselves and their managers with a set of practices and become coaches of their employees in applying them. Preparing employees to be proficient in these practices is a major investment necessary for a successful transformation.

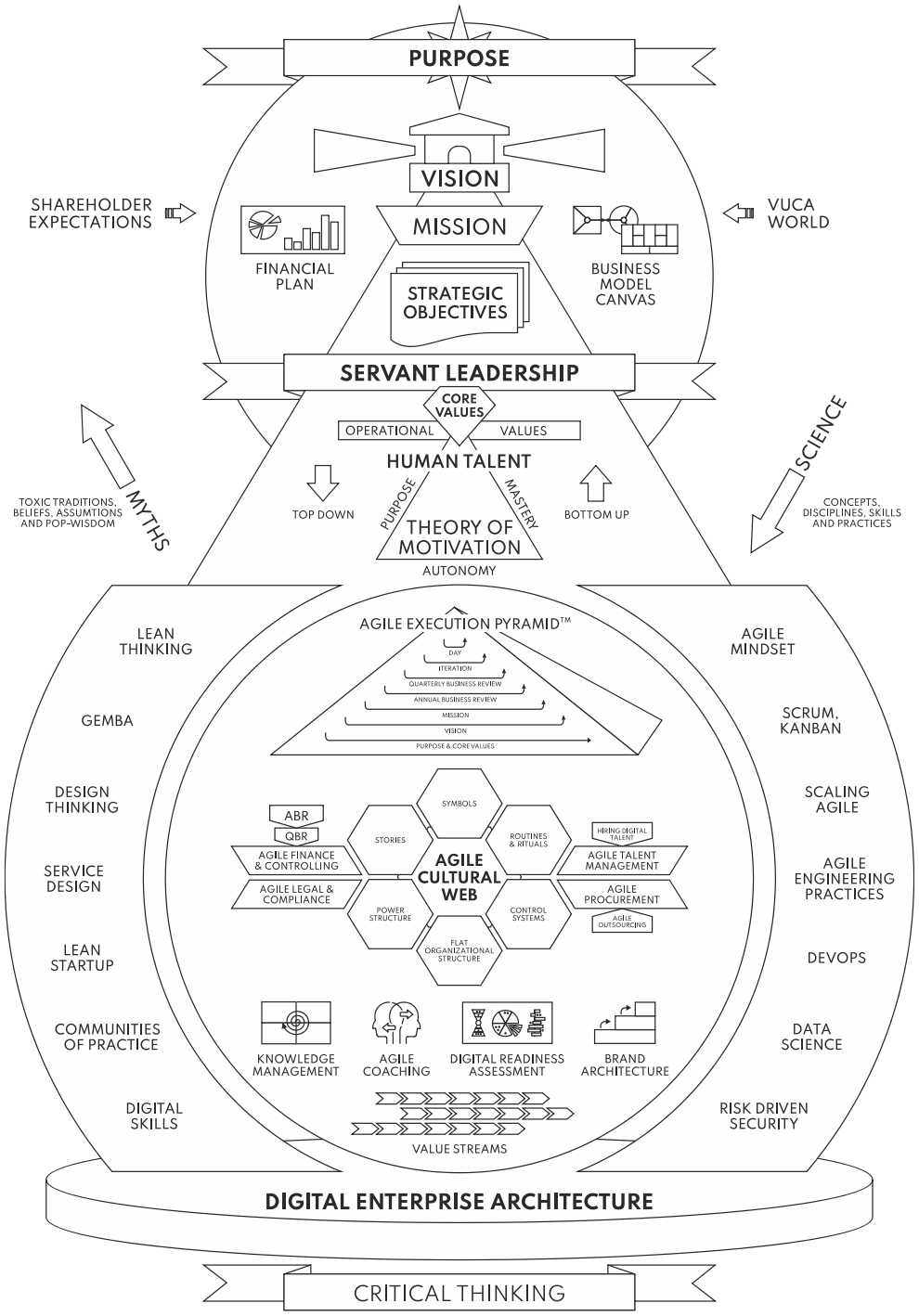
Digital enterprise architecture

The flat and agile organization built around value streams requires a solid technology to support it. One of the biggest investments might be needed in transforming the technological foundations. Converting monolithic solutions to service oriented may prove hard but is essential to digital success. Service oriented digital systems provide flexibility, interoperability and support business objectives and agility.

Full framework

In the next chapter, we present the building blocks of the Digital Readiness Framework™ in more detail. This chapter is followed by the details of required practices and a chapter dedicated to *myths vs science*.

DIGITAL READINESS FRAMEWORK BUILDING BLOCKS



The following building blocks form the core of Digital Readiness Framework™. Although most of the elements may be applied independently, to achieve true digital readiness, they shall be applied as a whole. This framework relies on numerous other frameworks, principles, tools and theories, the detailed explanation of which is beyond the purpose of this document. To the contrary, the aim of this document is to show how these elements work together when integrated.

Purpose

Purpose is the reason for a company's existence. A reason beyond making money. Many times, the purpose is a higher cause that the company's owners and leaders pursue. It may be a wish to change the world. Purpose is the driving force, the source of passion for leaders and employees. The purpose serves as a *North Star* for all decisions.

Purpose and values driven organizations have been found to be more successful than others.

Purpose shall be defined by the founders or the highest-ranking leader of the organization. Almost all companies have a purpose, but it is rarely documented and used officially, especially in smaller organizations. The purpose never changes.

The purpose shall be widely communicated inside the organization to serve as a basis for motivation, and outside as part of the brand. The purpose statement is often accompanied by a short paragraph of description for easier delivery.

The purpose is frequently mixed up with the Vision and Mission. Some experts use the words mission and purpose interchangeably, to avoid confusion, we stick to this definition. Some companies tend to have a fake purpose that can erode motivation and trust.

Purpose serves a basis for a company Vision and most of the time for Core Values as well. Having a purpose is also part of the Motivation Theory behind this framework.

Vision

Vision is the shared picture of Mission success for the company. It describes a desired state of the world in the future. It describes how the world will be different for customers if the company is successful. The vision serves as a *lighthouse*, giving direction for leaders and employees.

The vision helps employees stay motivated. It serves as a long-term objective.

The Vision shall be defined by the founders or the highest-ranking leader of the organization. It is created as a long-term objective, probably for more than ten years.

The Vision shall be widely communicated inside the organization to serve as a basis for motivation along with Purpose and Mission and is usually part of the brand as well. The vision statement is often accompanied by a short paragraph of description for easier delivery.

A great Vision is usually customer or market oriented instead of being about the desired state of the company. Some leaders are fearful of sharing their ambitious vision, because they think their employees will be terrified by their “big hairy audacious goal”.

Vision is derived from Purpose and serves as a basis for Mission.

Mission

Mission is the master plan for creating value. It is the helicopter view of the strategy formulated in a compact statement or at most a few sentences. It outlines the action needed to make the Vision a reality or to get one step closer to it. It serves as a *map and compass* to finding the way in everyday work.

Mission gives shorter term motivation than Vision, as it is for medium term, usually 2-5 years, but for companies with more distant vision, it can be longer.

Mission is usually defined by the top management team but may include bottom-up influence from the organization. It may change more frequently to adapt to changing circumstances.

The Mission shall be widely communicated inside the organization to serve as a basis for motivation but is rarely communicated to the outside world. The mission statement is often accompanied by a short paragraph of description for easier delivery.

Some experts use the words mission and purpose interchangeably, to avoid confusion, we stick to this definition: mission is an important assignment given to a person or group of people, while purpose is rather a vocation or calling.

A common mistake is to express a wish or list tasks instead of a mission.

Mission is directly derived from Vision as it is even included in its definition. Mission serves as a basis for Strategic Objectives.

VUCA World

The outside world in the digital era can be described by this acronym. Disruptive changes have always happened but the rate of new technologies emerging has an overwhelming effect on our lives. Recently we saw the arrival of the Internet and the World Wide Web, e-commerce, mobile computing, Social Media, Artificial Intelligence, Blockchain, Big Data, Internet of Things, to mention the most prominent ones. Disruptive business models and startups may sprout any day. In 2020 the COVID-19 pandemic disrupted our lives rapidly, without any warning. Although pandemics are fortunately rare, the other two categories are quite common.

VUCA is an acronym first used in 1987 to describe or to reflect on the volatility, uncertainty, complexity and ambiguity of general conditions and situations.

Volatility is the nature and dynamics of change, and the nature and speed of change forces and change catalysts. Uncertainty is the lack of predictability, the prospects for surprise, and the sense of awareness and understanding of issues and events. Complexity is the multiplex of forces, the confounding of issues, no cause-and-effect chain and confusion that surrounds organization. Ambiguity is the haziness of reality, the potential for misreads, and the mixed meanings of conditions; cause-and-effect confusion.

The outside world has a direct and indirect effect on Vision, Mission and Strategic Objectives. Businesses need a way to cope with changes that disrupt their long- and short-term plans. Those failing to adapt to the VUCA world will most probably go out of business soon.

Shareholder Expectations

Shareholder expectations serve as the basis for strategy. Expectations may have a wide range, but expansion and profitability are the most common ones.

The financial goals set by owners usually influence strategy and executing a certain strategy may require an investment. In a digitally ready organization shareholders collaborate closely with management in setting financial goals.

A common pitfall is when shareholders try to control many aspects of the financial plan, sometimes even in counterproductive ways, such as limiting costs for a certain domain of limiting headcounts, taking away freedom of execution from management. Expecting accountability without empowerment is paradoxical with respect to Motivation Theory.

Shareholder expectations effect the Financial Plan directly, having an indirect effect on Strategic Objectives, Motivation Theory and practically the entirety of the organization.

Financial Plan

Financial planning is the process of determining a company's financial needs or goals for the future and how to achieve them. It involves deciding what investments and activities would be most appropriate under both the company's individual and broader economic circumstances.

Short-term financial planning involves less uncertainty than long-term financial planning because market trends are more predictable in the short term. Likewise, short-term financial plans are easier to amend in case of disruption of any kind.

Long-term financial planning has direct connection to Vision and Mission, while short-term financial planning is connected to Strategic Objectives. It is a bidirectional connection; the financial goals set by owners may influence strategy and executing a certain strategy may require making changes in the financial plan.

Taking your next step in innovation without focusing on short or long-term profitability is a toxic phenomenon common these days. Another common pitfall is to set a tight and central budget to silos, instead of flexible budgets to organizational units build around Value Streams. Rigid financial plans counter business agility.

The Financial Plan is closely related to the Business Model Canvas, Strategic Objectives and the Agile Execution Pyramid™. The Agile Cultural Web defines the structure of allocating budgets and revenue plans.

Business Model Canvas

The Business Model Canvas or BMC is a template for documenting business models. It can be used to create new business models or to document existing ones. It is basically a simple chart with nine separate blocks for describing the value proposition, infrastructure, customers, and finances. The BMC is useful for communicating the business model to employees and is a great strategic management tool. Its main power is simplicity.

The BMC has been successfully applied in small and large organizations as a simple but powerful tool. Lean startups use this tool almost exclusively.

The management is accountable for documenting and communicating the Business Model Canvas inside the organization.

The Value Proposition Canvas is a great tool to augment the creation of the business model. It helps ensure that a product or service is positioned around what the customer values and needs.

The BMC serves as an input for Financial Planning and for setting Strategic Objectives.

Strategic Objectives

Strategic objectives are statements that indicate what is critical or important in your organizational strategy. In other words, they're strategic goals the organization is trying to achieve in a certain period of time.

In this framework we use Objectives and Key Results or OKRs for setting and assessing strategic objectives. Objectives and Key Results increase strategic involvement and bring agility through concrete, specific and measurable action.

OKRs are successfully used in large corporations as well as in start-ups.

OKRs provide short term purpose, a certain level of autonomy and the opportunity for mastery for employees, increasing their motivation. Objectives are motivating and actionable, Key Results provide an opportunity for regular measurement and adaptation.

OKRs are used at different levels, from annual corporate objectives to quarterly departmental or team objectives. Some organizations use personal OKRs as well.

OKRs provide visibility and transparency across the entire organization.

The top management team is accountable for setting strategic objectives and running the OKR system. It is advisable to include bottom-up influence from the organization. The highest-ranking leader of the organization is accountable for setting, reviewing and monitoring corporate OKRs is, usually working with a leadership team. The leader of an

organizational unit is accountable for setting, reviewing and monitoring the OKRs of the given unit, in collaboration with the company's leadership team and members of the organizational unit.

A properly run OKR system facilitates learning, mostly learning from mistakes or spotting emerging opportunities. For learning to happen, consensus is required between leaders and their teams on how they interpret results or the lack thereof. This is true for all levels of management, even for board level strategic decisions.

Maintaining an OKR system often requires a dedicated OKR coach who has the responsibility to train, mentor and coach employees involved in OKR setting and review and to assist management in operating the OKR framework by organizing events, such as Quarterly Business Reviews, also known as QBRs, or Big Room Planning sessions.

OKRs are widely communicated and must be central to the work of all employees. This brings about transparency.

Although OKRs are simple, there are many common pitfalls that can ruin an implementation. The most common ones are defining tasks instead of objectives and the other is to define intermediate results as key results. Another dire mistake is to run a parallel system along with the OKR system for managing and measuring performance, leading to confusion instead of alignment. Failing to synchronize departmental or team OKRs with one another or the corporate OKRs leads to clashes and misalignment. Focusing too much on financials in an OKR may be a sign of an uncertain or missing strategy.

OKRs derive directly from the Mission of the company. OKRs are translated to smaller OKRs, initiatives, tasks or agile backlogs at the team level, depending on the level of agility and type of agile Cultural Web in place. OKRs play a key role in Bottom-up planning and Agile Execution.

Top down and bottom-up planning

When creating, measuring and evaluating Strategic Objectives with OKRs, valuable feedback from employees meets requirements from the leadership of the organization. When OKR is implemented correctly, roughly 50% of OKRs come from bottom-up planning.

This practice highlights trust and enhances employee commitment.

In large organizations top down and bottom-up planning may happen in an event called Big Room Planning. Such planning sessions may be organized annually or quarterly, when all leaders, managers and key players gather in a large room – hence the name – to review, evaluate and set Strategic Objectives facilitated by an OKR coach or facilitator. Our experience shows that a skilled facilitator can organize such events successfully with over 100 participants at a time.

Servant Leadership

Servant leadership is a leadership philosophy in which the main goal of the leader is to serve employees to allow them to perform better. When leaders shift their mindset and serve first, they benefit as well as their employees in that their employees acquire personal growth, while the organization grows as well due to the employees' growing commitment and engagement.

Servant leaders often coach their teams as they move away from the doer to the coach style manager role. Managers who practice the coach approach work to achieve the best operational performance by developing and maximizing the talent of their employees. Doers on the other hand tend to focus more on task issues and technical (mechanical) aspects of the job. Doers also heavily participate as senior contributors, taking away valuable time from their managerial role. Servant leaders are excellent planners and delegators. They influence instead of controlling. To operate well, such leaders need a culture of transparency and honest feedback, which they are also required to build.

Servant leaders also employ self-managing agile teams, where an agile coach or similar role assists the team in managing work without a manager. An example of this role is the Scrum Master in the Scrum framework.

Servant Leadership as a philosophy works well with setting Strategic Objectives and Agile Execution.

Human Talent

In the center of the Digital Readiness Framework™ is Human Talent.

The talent market is ever changing, talent is hard to find and expensive. Organizations need to get the most out of it by keeping employees engaged and motivated. Fortunately, employees who find meaning in work perform better.

A workplace where employees find meaning and happiness is not a pleasantry anymore: it is a necessity for survival. More and more people, notably the younger generations are looking for what the Japanese concept of Ikigai describes as doing what you are good at, what you love, what is needed and what you get paid for.

Workplaces where employees are happy and find meaning in work also have a wider impact on society. People bring less anger and frustration home, impacting their families positively, allowing their family members to be better employees of other human centered organizations.

This entire framework is built around motivated individuals thriving in a culture where processes, technology, practices and bureaucracy do not hinder their ability to perform at their maximum.

Motivation Theory

Contrary to what most people think about human behavior, the science of motivation is in fact quite simple. For tasks that require even rudimentary cognitive skills, external motivators work counterintuitively. Problem solving requires intrinsic motivation, so managers need to get past the ideology of using carrots and sticks to motivate people. At the same time, demotivating factors are easy to create. [3]

Punishment does not work, but surprisingly, nor do rewards. Fear demotivates. Punishment clearly induces fear. Counterintuitively, a reward also produces fear: the fear of losing the reward. Consequently, money does not motivate, but unjust compensation can demotivate. The theory of motivation works when the question of money is taken off the table.

Intrinsic motivation requires purpose, autonomy and mastery. Purpose is provided by long- and short-term objectives. Autonomy is provided by Servant Leadership, flat organization in the Cultural Web and Agile Teams. Mastery is provided by frequent inspection and adaptation that serve as an opportunity to learn and grow. Learning is also provided by Agile Talent Management and Servant Leadership.

A good rule of thumb for motivating knowledge workers is *to motivate, do not demotivate.*

A common pitfall is to fall back to command-and-control mechanisms as soon as there is a minor failure, drawing the conclusion that self-managing teams don't work in general. Another one is to try to measure a person's performance objectively. Measure what matters instead, key results, using OKRs.

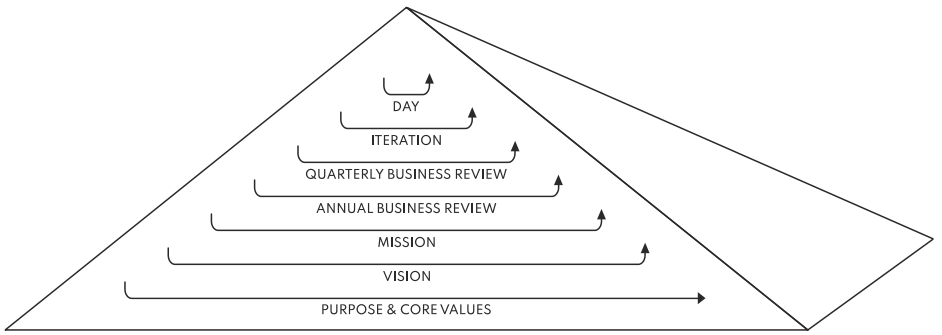
The study of human behavior allows businesses to form an optimal ecosystem of people, consisting firstly of employees and customers, secondly suppliers, authorities, other stakeholders and the general public.

Motivation Theory is related to almost all other items in this framework. It serves as a direct basis for Purpose, Vision, Mission, Strategic Objectives, Agile Mindset and Agile Execution.

Agile Execution Pyramid

In a digital-agile organization iterative execution and transparency are key to success.

Agile Execution builds on the foundation of human talent and motivation: fostering self-organization with coaching oriented servant leadership and inspection and adaptation in different, gradually decreasing timeboxes.



AGILE EXECUTION PYRAMID™

Common pitfall is to operate agility without adopting the Agile Mindset or not to employ Agile Coaches or Scrum Masters. Some companies find it hard to couple OKRs and agile frameworks, such as Scrum.

Purpose and Core Values

Purpose and Core Values rarely if ever change, so we can assume they are perpetual to the organization. They are updated only when there is an extensive change in circumstances, such as mergers and acquisitions.

Vision

The Vision helps employees stay motivated. It serves as a long-term objective, usually for longer than a decade. It is updated only when achieved or when circumstances render it obsolete, such as a major change in the market, technology or legal environment.

Mission

The Mission is the medium to long term master plan of the organization. It can be as long as the Vision, but it is usually just for the next couple of years, usually no longer than three. It may need changes from time to time, possible after having been reviewed on the Annual Business Review or when circumstances demand.

Annual Business Review

The primary role of the Annual Business Review is to serve as an annual inspect and adapt event, reviewing the past twelve months and planning for the next twelve months, using annual organization level OKRs.

An annual Digital Readiness Assessment precedes the Annual Business Review, so data is available about the values and readiness of employees to support planning.

Quarterly Business Review

The Quarterly Business Review or QBR is an event held at the end of every quarter to review the quarter and plan for the next. The QBR is a quarterly opportunity to inspect and adapt providing strategic agility and enhancing transparency. The QBR works with organizational unit level OKRs.

Iteration

The timebox for monitoring OKR shall not be longer than one month.

Organizational unit and team level Agile Execution is done in timeboxed iterations defined by one of the agile frameworks used by the organization. In case of Scrum Sprints, it may not be longer than one month. Bi-weekly iterations are frequent, shorter iterations are usually avoided.

Day

The smallest timebox is the workday. Most agile frameworks also prescribe daily Inspect and Adapt events, such as the Daily Scrum. It is usually a good practice to follow such daily process.

Digital Readiness Assessment

Digital Readiness Assessment seeks to measure the level of Digital Readiness of the organization, with a strong focus on the Operational Values of employees.

Organizations that measure and manage their operational values and readiness have been found to be more successful than others.

The assessment has to parts: assessing the Operative Values of individuals and of the current and desired culture of the organization; and assessing how building blocks and practices of Digital Readiness Framework are implemented and used.

Digital Readiness Assessment is usually implemented as an anonymous online survey of employees. Survey results shall be analyzed by a professional with experience in culture assessments. The questions may be customized for different roles, such as managers, coaches or specific professions.

The assessment takes place the two weeks before the Annual Business Review, while data is analyzed the next week. The result of the analysis is then reviewed on the Annual Business Review. The assessment shall not be conducted more than once a year.

Core Values

Core Values are non-negotiable foundations for corporate culture, identity and alignment in execution.

Purpose and values driven organizations have been found to be more successful than others.

Core Values are a set of principles, beliefs or ideals that an organization views as being of central importance and never to be given up. Core values provide a basis for building a company culture with strategic alignment.

Most common values are beliefs or credos about the world, society, people, markets, the industry in which the company is active, the technology it uses, the environment, work, employees, leadership, doing business, generating value or money.

Core values should not include vocational or technical principles that may change as technology changes.

Avoid mixing up Core Values with Operational Values, also known as cultural or leadership values. Operational values must be monitored and managed continuously, while Core Values rarely if ever change.

Experience shows that employees that do not embrace the core values of the organization do not benefit the organization as much as those who do. Differences in core values lead to conflicts that are impossible to resolve, as the cause is a difference in core values that guide one's life.

Core Values provide the foundation for culture and directly affect Talent Management, Agile Outsourcing. They are also closely related to the Purpose, Vision and Mission. The Cultural Web and Agile Execution are built on them.

Operational Values

Operational values are the set of values and behaviors shared by employees and leaders that affect how they interact with each other and the world.

Values driven organizations have been found to be more successful than others. Research shows that values driven organizations are the most successful organizations on the planet. Such organizations have a low percentage of limiting values and behaviors; and their top current and desired values have a high percentage of match.

Operational values are values that emphasize how people work together (e.g.: trust, openness, fairness) and what is important on a day-today basis (e.g.: performance, quality, and productivity).

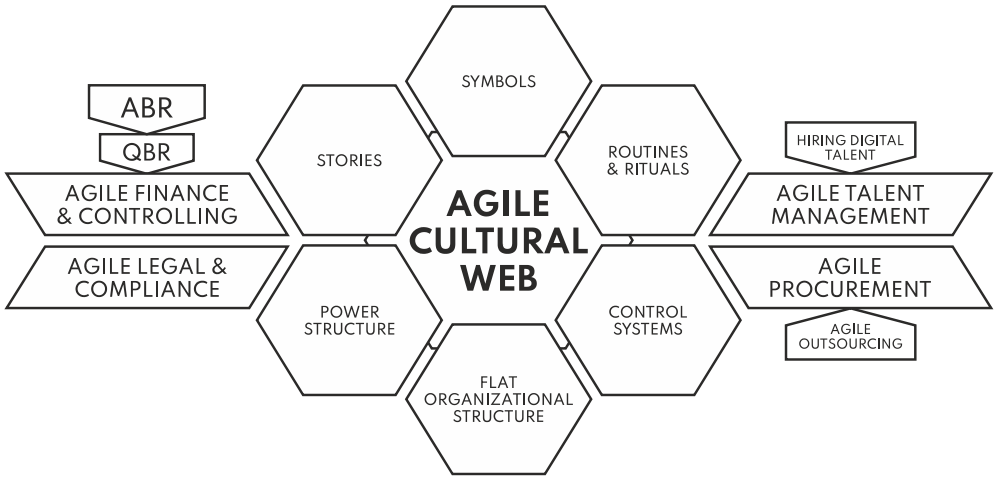
Operational values must be monitored and managed continuously. The annual Digital Readiness Assessment gives a quantitative report on the values of the organization.

Agility depends on people becoming more proficient in living five Agile Values of Commitment, Focus, Openness, Respect, and Courage. In a digital/agile organization, these Operational Values shall be seen as default values, under the umbrella of agility or agile mindset.

Operational Values and are closely related to Core Values, Purpose, Vision and the Agile Cultural Web. The annual monitoring of Cultural Values happens in the Annual Business Review as part of Digital Readiness Assessment.

Agile Cultural Web

Cultural Web model provides operational excellence through structure, stories, processes, rituals, symbols and controls. The Agile Cultural Web is a version of the Cultural Web with an agile organization and control mechanism.



The Cultural Web identifies six interrelated elements that help to make up the "paradigm" – the pattern or model – of the work environment. By analyzing the factors in each, you can begin to see the bigger picture of your culture: what is working, what isn't working, and what needs to be changed. The six elements are: Stories, Rituals and Routines, Symbols, Organizational Structure, Control Systems and Power Structures. [5]

Agility works best in flat organizations; hierarchy is the enemy of autonomy and thus motivation. Hierarchies also hamper rapid inspection and adaptation by introducing a chain of command with unavoidable bureaucracy.

The Agile Cultural Web shall be analyzed, adjusted and documented by the management and shall be updated as required if it does not optimally serve executing Strategic Objectives.

Organizations should be built around Value Streams instead of functional silos. Such organizational units shall be cross functional, meaning they must have all the functions and skills necessary to create value. Centralized functions, although sometimes unavoidable, introduce dependencies and bottlenecks. Certain functions shall be centralized, while some may be split between agile value stream oriented organizational units and centralized ones.

Each organization is different, the type of agility needed should be built around the company Vision and Mission, Strategic Objectives, Brand Architecture. It is also strongly connected to Digital Enterprise Architecture, which needs to be adapted to the agile organization, but due to its complexity and cost of changing, might affect agility at least temporarily.

Copying other agile organizations, such as Spotify should be avoided. There are frameworks for enterprise agility, but we believe that custom tailored agility works best.

Servant Leadership and self-management is key to an Agile Cultural Web.

Agile finance and controlling

From rigid annual financial planning a shift must occur to continuous inspection and adaptation in the financial plan, supporting agility at every level.

The execution of strategy requires financial planning and controlling. If changes in execution occur, the financial plan must follow, otherwise agility is lost. The financial plan must be prepared with possible disruption in mind, and such abrupt changes can be harnessed for strategic advantage as well.

The OKR based Strategic Objectives require a quarterly review and the setting of new objectives based on that review, also known as the Quarterly Business Review or QBR. The QBR is an ideal place for making adjustments to the financial plan when needed.

A common pitfall is to weaken agility by not willing to change financial plans or to set structures too early, such as budgets for capital and operational expenses. Employees in finance related roles may feel disempowered by agility, so they may require coaching.

To maintain agility the Agile Controlling team must be able to service day-to-day decision making of other organizational units or agile teams.

Quarterly Business Review

The Quarterly Business Review or QBR is an event held at the end of every quarter to review the quarter and plan for the next. The QBR deals with organizational unit level strategic objectives and organizational unit level agile financial planning.

The QBR is a quarterly opportunity to inspect and adapt providing strategic agility and enhancing transparency. The QBR helps align different organizational units by bringing them together.

The leadership team is accountable for holding the QBR, but it may be organized by the OKR coach if there's one. Depending on the size of the organization it usually lasts for one to two days. Every fourth QBR is an Annual Business Review as well, where additional reviews and planning is performed at the end of the given business year.

The QBR is for leaders and key members of each organizational unit. They come together to review and score existing OKRs and to set new OKRs for the next interval. The goal of the QBR is learning from the experience of the previous quarter.

Agile finance and controlling are required for the QBR to be effective. Changes in strategic objectives may require changes to the financial plan or the plan may be restrained by the availability of financial resources.

For large teams, the QBR is usually a Big Room event, where up to 100 people meet to discuss the state of affairs and to inspect and adapt. Such an event shall be facilitated by an experienced facilitator or OKR coach.

The OKR system requires a monthly monitoring Between QBR-s, where OKRs are checked to keep them in focus, but they are not evaluated, and no new objectives are set.

Common pitfall for QBRs is to not hold them due to a perceived lack of time. Another one is no agreement on the learnings from an OKR, especially a failed one.

Quarterly Business Review is closely related to Strategic Objectives, Agile Finance and Controlling and is the cornerstone of Agile Execution.

Annual Business Review

Every fourth QBR is an Annual Business Review or ABR, where additional reviews and planning is performed at the end of the given business year.

The ABR differs from a QBR in scope, as the ABR deals with organization level strategic objectives and organization level agile financial planning.

The ABR is an annual opportunity to inspect and adapt providing strategic agility and enhancing transparency. The ABR helps align different organizational units by bringing them together.

The leadership team is accountable for holding the ABR, but it may be organized by the OKR coach if there's one. Depending on the size of the organization it usually lasts for two or even more days. The ABR also contains a QBR, reviewing the last quarter and planning for the first quarter of the upcoming year.

The ABR is for leaders and key members of each organizational unit. They come together to review and score existing organization level annual OKRs and to set new OKRs for the next year. The goal of the ABR is learning from the experience of the previous year.

Agile finance and controlling are required for the ABR to be effective. The annual financial plan is reviewed and finalized for the next business year. Financial reports for shareholders and authorities are discussed here as well, although actually

preparing them may be a much longer process, depending on the size of the company and the legal requirements. Discussing and baselining the financial plan and next year's strategy usually starts a few weeks before the ABR.

An annual Digital Readiness Assessment precedes the Annual Business Review, so data is available about the values and readiness of employees to support planning. If the results of the assessment require action, they manifest as Objectives in the OKRs for the next year.

The Mission and Vision is reviewed as part of this event to see if it needs adapting.

For large teams, the ABR is usually a Big Room event, where up to 100 people meet to discuss the state of affairs and to inspect and adapt. Such an event shall be facilitated by an experienced facilitator or OKR coach.

Common pitfall for ABRs is doing it too early or too late, or not doing it at all, due to end of the year stress and increased workload. Having rigid annual financial planning (usually required to freeze the plan during fall) renders the end of the year QBR futile and breaks strategic agility.

Note, that the annual planning cycle must not coincide with the calendar year; it usually but not necessarily corresponds to the business year though.

Annual Business Review is closely related to Strategic Objectives, Agile Finance and Controlling and is the cornerstone of Agile Execution. Digital Readiness Assessment is part of the ABR process.

Agile Legal & Compliance

In a digital-agile organizations legal and compliance teams must get up to speed with the delivery of value of agile teams.

Legal and compliance teams are involved in many processes and have a history of impeding agility with slow and counterproductive action. Nonetheless, legal and compliance teams play an important role in work, most notably in regulated businesses. Failure to involve them in creating value might have a disastrous effect due to unexpected legal or regulatory action.

Whenever possible, involve legal and compliance experts as early on in any new process as possible. When having a full-time expert is not feasible or economical, form a *center of excellence* from such experts and set a service level objective for them for servicing agile teams.

Management is accountable for cooperation with legal and compliance teams on setting clear objectives and managing expectations for the rest of the organization. The *risk appetite* of the company must be clearly defined and widely communicated.

Management is also accountable for preparing legal and compliance teams for agility and necessary digital skills, so they become knowledgeable and may cooperate with technology experts better.

Agile Talent Management

In a digital/agile culture human talent is critical. To show the different attitude towards employees, Talent Management is used instead of human resources.

A digital/agile organization shall practice value-based hiring, the practice of hiring staff based on how they embrace the core values and the purpose, vision and mission of the organization.

Employees shall be trained, developed, coached and mentored by their Servant Leader or specialized experts in the given domain. New hires shall be introduced to the Digital Readiness Framework™ and the artifacts emerging from its use. There are organizational structures that have been found to successfully promote the development of digital talent. One example is communities of practices, both organized and informal.

Many talented tech people exhibit behavioral patterns that non-tech people may find odd or even irritating. Such people with significant digital talent are often referred to as *geeks* or *nerds* or similar slurs. Managers and coaches must be prepared to deal with the psychological diversity of such people.

Managers, including members of self-managing teams shall apply Diversity Management to optimize performance on the personal level. Personal OKRs are also an option for managing opportunities or issues related to a single person or team.

Annual performance reviews shall be replaced by continuous feedback and coaching. OKR related and Agile events, such as QBRs, monthly monitoring or agile retrospectives give opportunity to inspect and adapt in the field of talent management as well. Such events may give opportunity to formal feedback on employee performance both from their peers and managers.

The only way to motivate employees is to remove demotivating conditions. One unavoidable condition is financial compensation. Failure to meet the expectation of employees in the field of remuneration leads to major loss of motivation.

We have found ownership-based compensation the best fit for digital/agile organizations. Such systems simplify the calculation of bonuses and allow the company to get rid of goal sheets and other secondary measurement systems. Talent management experts need to study and embrace the theory of motivation and human behavior.

ESOP programs fit the personality types desired by a digital/agile organization.

In a flat organization each value stream is managed by a cross functional group of employees, usually made up of cross functional agile teams. Many organizations find it useful to form Communities of Practice not only to manage knowledge and personal development, but also to serve as bodies practicing employer responsibilities, such as setting remuneration or even making hire-fire decisions.

Hire and fire decisions in self-managing teams (such as Scrum teams) may be delegated to the team itself or to a line manager responsible for the team. In either scenario, an agile coach (or Scrum Master) is strongly advisable to assist the team by facilitating the decision. Coaches shall never take part in the decision concerning the people they coach. From this perspective, servant leaders that practice coaching based management do not count as coaches.

A common pitfall is to use a remuneration system that conflicts with the Strategic Objectives of the company. Another pitfall is to connect remuneration directly to OKRs. The area of Talent Management is haunted by numerous myths, false beliefs, tradition and pop-wisdom and may benefit significantly from best practices of agility.

Most organizations find “agile bad apples” during their digital/agile transformation. Such people will try their best to thwart the transformation. A key reason for acting this way is the fear of losing power, or more usually the false assumption of doing so. Transparency, clear communication and pre-emptive training about agility may preclude such behavior. It is almost always unavoidable to discharge agile bad apples early in the process, otherwise they may cause irreparable damage to the transformation process.

Many start-ups find the principle of *hire fast, fire faster* useful. It is based on the assumption that it is impossible to assess culture fit without hiring and those unfit shall be discharged as quickly as possible.

Agile Talent Management relies on Motivation Theory and is heavily interwoven with Agile Execution. The Cultural Web must be formulated in a way to support Agile Talent Management and foster Servant Leadership.

Digital Recruitment

Hiring digital talent may prove to be a challenge for business people. Most managers lack the know-how to assess the competency of tech people and may even find it hard to communicate with them.

We promote value-based hiring. To ensure that the new recruits fit the culture, they must embrace the Core Values of the organization. We have found that a significant portion of the conflicts between employees can be traced back to differences in core values. Core values are extremely hard to change and are usually outside the scope of Talent Management, Coaching or Diversity Management.

There are many different techniques for assessing culture fit and technical skills, unfortunately we have not found evidence for any to be superior to others. We advise experimentation.

Leaders of organizational units are accountable for hiring. They must involve teams in the decision. Hiring decisions may also be delegated to self-managing teams. Agile coaches may be involved in facilitating interviews but never in making decisions. Naturally, when hiring coaches, the other coaches make the hiring decision along with their leader or as a self-managing team.

A common pitfall is to allow compromises in core value differences, usually justified by an exceptional trait or skill possessed by the new recruit or by the lack of time to find the matching candidate.

Digital Recruitment is part of Agile Talent Management and is related to the Cultural Web.

Agile Procurement

Agile procurement is a procurement approach that is open and collaborative with agile teams, leading to faster acquisition of goods, services, or work from an external source.

While traditional procurement usually obsessed with price and forcing tough conditions on suppliers, agile process focuses on quality and speed and sustainable cooperation.

Having a central procurement team is beneficial for certain goods and services where quantity has a serious impact on price and conditions. For agile teams, time is usually a more important factor than price, and the price advantage that can be achieved by a long procurement process may be outweighed by the loss cause by delay and loss of motivation.

It is a good practice to prepare for unplanned procurement and keep a portfolio of prequalified trusted vendors with a framework contract.

Management is accountable for setting expectations and objectives for the procurement team.

Common pitfall is to focus on price, often via a tendering or competitive bidding process over quality or speed of delivery, missing the big picture. Having procurement and agile teams collaborate on creating strategic objectives help set expectations in both directions.

Agile Outsourcing

Agile Outsourcing is when an agile organization is outsourcing a specific activity to an external service provider, usually in the field of IT development and operations. Two common types of outsourcing can be a project with a specific result or renting talent for a specific time.

The reason for outsourcing is usually a need for extra capacity temporarily, a need for special talent or technology or a pressing deadline, or the combination thereof.

Choosing an outsource partner can be challenging. In most cases, the optimal solution is an agile service provider with a great culture fit. Occasionally projects with a well-defined result may work, but only when the project is relatively small.

Solution provider agility can be hard to assess, so involvement of an agile specialist or agile coach is advised.

Tenders are frequently counterproductive in selecting an agile outsource partner. Some practices used in tendering may be useful, such as assessing the technological offer separately from price (asking price to be sent to a different person) and comparing price-power ratio only afterwards. Culture and attitudes can be assessed in live presentations, site visits or during a trial project. Checking references may prove to be a double-edged sword. The best way to select an outsource partner is by experimentation. The best way to keep prices low is by applying agile principles correctly.

Since qualification can be a tedious process, it's a common practice to have a portfolio of prequalified trusted vendors with a framework contract. Such vendors can be rapidly assigned to any task when needed.

When working with outsource partners, we prefer collaboration over contract negotiation, as per the third point of the Agile Manifesto. Signing an agile contract can be a solution. Time and materials based contracts are shunned by many managers, because the burden of scope management risk remains on the client ordering the work. Still, our experience shows that with the right agile service provider, an agile contract with a well-crafted exit clause works better. Agile contracts are closer to time and materials based contracts but far less risky due to frequent inspection and adaptation, transparency and a well understood and unbureaucratic mechanism for change management. It may be tempting to sign fixed scope and fixed budget contracts, because scope management risk is also outsourced this way. Unfortunately, service providers are aware of this and they counter the risk by either low quality, disproportionately high price or a multitude of change requests extending deadlines and increasing price – or the combination thereof. This leads to contract negotiation, where collaboration and efficiency may be lost entirely.

Common pitfall is to work with a large company for a higher price tag for the perceived trustworthiness only to learn that the company further outsourced the work to a smaller organization. Another pitfall is vendor lock-in, which makes a customer dependent on a vendor, unable to use another vendor without substantial switching costs. Note, that *overdocumenting* usually does not stop vendor lock-in but increases costs.

Having a long-term activity outsourced may prove more expensive than hiring staff. Headcount limits may hinder agility and autonomy of managers. Core competences and activities should not be outsourced.

Using central procurement is usually not beneficial to IT related outsourcing. Procurement specialists and the organizational unit or agile team in need of outsourcing must collaborate closely to find the optimal solution.

Agile outsourcing is closely related to Agile Execution and Core Values.

Knowledge Management

Knowledge is central to a digital organization. The deliberate process of acquisition, creation and transfer of knowledge is knowledge management.

Knowledge management may be formal or informal. Communities of Practice play an important role in managing knowledge and the development of individuals as experts.

The goal of knowledge management is to form tacit or implicit knowledge in employees, knowledge that can be applied to work, but which is hard to express or transfer. Transferring this experience, insight or wisdom is also the goal of knowledge management. Different techniques may be applied; learning by doing has proved to be one of the most valuable ways.

A common pitfall is failure to transfer key knowledge accumulated in a certain individual before that individual leaves the organization. Another common pitfall is to save in training employees fearing the cost would be wasted if they leave, not taking the cost and risk of having an untrained employee into account. Many organizations make the mistake of motivating employees to collect exams and certifications instead of forming real tacit knowledge. Linking the acquisition of knowledge to financial rewards takes the fun out of learning and demotivates learners.

Knowledge management is closely related to Communities of Practice.

Agile Coaching

A digital-agile organization requires a massive mindset change and continuous attention to maintaining the lean-agile mindset, upholding core values and living the *agile values*.

Experience shows that even experienced agile teams need constant attention and coaching from dedicated team coaches, agile coaches or Scrum Masters in the case of Scrum teams. Agile coaching boosts performance, reduces conflicts and fosters collaboration inside and outside the team.

To achieve agile excellence, the primary leader of the organization shall become an agile advocate and coach for the entire organization. This responsibility cannot be delegated, it is part of the digital-agile CEO's job. Failing to embrace agile thinking in the top ranks of the organization may lead to a relapse in the digital-agile transformation.

Executive teams are advised to hire a dedicated senior agile coach who may also act as the mentor for other agile coaches inside the organization or be a leader of an agile coach community of practice.

Common pitfall is to rent super expensive agile coaches from specialized service providers instead of training and developing ones inside the organization. Another pitfall is to try to save on agile coaches, especially Scrum Masters and share them across multiple teams. This practice corrodes agility showing employees that agile is not of utmost importance.

Agile coaching is required for all agile activities. Agile coaches may also act as practice and methodology trainers or mentors.

Brand Architecture

Brand Architecture provides guidance for navigating customers through the customer journey and for internal and external communication.

Brand architecture helps employees understand what the organization promises to customers and helps align with marketing messages. Employees play a key role in delivering on these promises. If their experiences inside the organization are not aligned with the marketing messages transferred to customers and the public, it may demotivate them. A brand architecture widely communicated inside the organization also increases transparency.

Defining brand architecture starts with analyzing the products and services and identifying brands. The destination plan defines what is the company's objective for each brand, who are the target audiences and how does the company wish to influence their thinking, emotions and actions. Using product features as a starting point, functional benefits are determined. These in turn support emotional benefits that lead to a crucial experience. Finally, communication vehicles are defined to carry the brand messages resulting from the above process to existing and potential new customers.

Product delivery may affect brand architecture, so agility, regular inspection and adaptation is required here as well.

A common pitfall is to decouple brands from the rest of the digital/agile business architecture and execute marketing activities in a vacuum. Many elements of the Digital Readiness Framework™ have a direct or indirect effect on brands and vice versa.

Brand architecture is connected to Value Streams of products and Strategic Objectives, as branding helps the company achieve its sales-oriented goals.

Value Streams

A value stream is the set of actions that take place to add value to a customer from the initial request through realization of value by the customer. The value stream begins with the initial concept, moves through various stages of development and on through delivery and support. A value stream always begins and ends with a customer.

Value streams are a component of the business ecosystem that describe how a customer (or other stakeholder) receives value from an organization.

Value Streams shall be identified and analyzed by management. Digital/agile organizations shall be optimized for value delivery through Value Streams by creating an Agile Cultural Web around Value Streams, instead of functional silos.

Common pitfall is to fail to allocate certain capabilities (such as IT development or legal) to organizational units representing a Value Stream thus creating dependencies that hinder agility. If it is not viable to add those capabilities to each Value Stream, they may be centralized, but in that case they must have a solution for servicing multiple Value Streams efficiently and in an agile way.

Value Streams are not processes nor customer journey maps.

Values streams have direct impact on the Digital Enterprise Architecture and on the Agile Cultural Web.

Digital Enterprise Architecture

Digital Enterprise Architecture or EA is essentially a modern approach to Enterprise Architecture, which appreciates the impacts of digital transformation and thrives to keep the organization ahead of the digital curve.

Replacing monolithic architecture with service-oriented solutions with interoperability focus is key to agility. Replacing the up-front planning mindset with experimentation and lean mindset is also paramount.

Emerging technological trends must be continuously monitored, tested and weighed against the organization’s Vision, Mission and Strategic Objectives.

Certain IT responsibilities are better performed by a central team. Notable examples are infrastructure operations, networking, security. On the other hand, other functions may be better placed close to the value stream. Software development and integration can either be distributed to organizational units formed around Values Streams as cross functional agile teams or may be part of a central IT organization. The optimal solution is usually a hybrid architecture,

where some of the functions is centralized, while others are distributed. A central IT team may contain COEs. There must be close collaboration between the two. It is the accountability of the leadership to facilitate finding the optimal solution.

The head of the IT organization must be the member of the top-level leadership team or board.

Larger organizations face a great challenge of upgrading their Enterprise Architecture while maintaining the level of service provided to the rest of the organization. It is a common long-term vs short-term decision, requiring top level decision making and strategic thinking.

Common pitfall is to expect the flexibility required by agile execution or agile software development from legacy systems. Another pitfall is misalignment in the risk-taking ability and willingness of IT professionals and managers, leading to clashes between the two and opportunity curbing technological restrictions. The field of information security is notably prone to such conflicts.

Digital Enterprise Architecture covers the entirety of all information systems within the organization. Such information systems shall be architected to support Value Stream, the Cultural Web and Agile Execution. Agile Engineering practices shall be employed to get the most of IT.

Myths

Many organizations are plagued by tradition, beliefs, myths and pop-wisdom or even pop-psychology. Practices based on traditions or even pseudoscience instead of science may cripple the digital agile way of working so leaders must act to remove them from the everyday life of the organization.

Unlearning harmful practices may take a lot of time. Some of these practices originate from an authority or a respected person, even from the founders of the company. Some are simply based on wrong analogies, such as the ones that work well in the industrial age, for industrial production or even engineering, but not in the digital/agile domain. [2]

We provide a list of such toxic practices at the end of this document, along with their best practice counterparts.

Science

There are certain concepts, theories, laws, disciplines, skills and practices that augment this framework by either helping to understand how it works or helping to use it in practice.

Learning these enhances the application of the Digital Readiness Framework™ so leaders shall act to teach and spread them.

Some of them require outside-the-box thinking as they may be counterintuitive. Some of them challenge the status-quo so much most managers will discredit them as false immediately.

We provide a list of such useful practices at the end of this document.

Critical Thinking

The entire Digital Readiness Framework™ is built on scientific findings and Critical Thinking. Critical thinking is the analysis of facts to form a judgment.

The subject is complex, and several different definitions exist, which generally include the rational, skeptical, unbiased analysis, or evaluation of factual evidence. Critical thinking is self-directed, self-disciplined, self-monitored, and self-corrective thinking. It presupposes assent to rigorous standards of excellence and mindful command of their use. It entails effective communication and problem-solving abilities as well as a commitment to overcome native egocentrism and culturally biased judgment.

A common pitfall is to let cognitive biases thwart critical thinking. Bias is a disproportionate weight in favor of or against an idea or thing, usually in a way that is closed-minded, prejudicial, or unfair. Biases can be innate or learned. People may develop biases for or against an individual, a group, or a belief. In science and engineering, a bias is a systematic error. [4]

Critical thinkers learn and practice the art of reasoning and debating instead of fighting and easily spot biases or logical fallacies even in their own arguments.

Critical thinking is required for applying the entirety of the Digital Readiness Framework™.

Digital Readiness Framework™ practices

A digitally ready organization needs to apply the following frameworks, tools and practices to be successful. This list may be incomplete. We have found that these are the most important ones that cannot be overlooked without jeopardizing digital readiness.

Lean Thinking

Lean thinking is the continuous reduction of waste while creating value. Every employee needs to be trained to identify waste and to maintain a culture where the elimination of wasteful work and processes is a virtue. Lean thinking advocates the use of only the absolutely necessary things to create value: only the absolutely necessary documentation, policies, processes, hierarchy, control, people, checkpoints, approvals, signoffs, handoffs etc.

Gemba

Gemba is a Japanese term meaning *the actual place* or *crime scene*. In business, gemba refers to the place where value is created. The main idea is that when a person visits the gemba, there is a better opportunity to identify waste and improve the creation of value. The Gemba Walk is the activity when managers and employees walk through the actual value creation process, inspect, learn and discuss possible improvements. The goal of the Gemba Walk is to understand the value stream and its issues rather than making assumptions *behind a desk*.

Design Thinking

Design thinking refers to the cognitive, strategic and practical processes by which design concepts are developed. Design thinking encompasses processes such as context analysis, problem finding and framing, ideation and solution generating, creative thinking, sketching and drawing, modelling and prototyping, testing and evaluating.

Service Design

Service design is the activity of planning and arranging people, infrastructure, communication and material components of a service to improve its quality, and the interaction between the service provider and its users. Service design may be used to improve an existing service or create a new service entirely.

Lean startup

Lean Startup is a mindset and a set of practices for developing products and business models. It is also a movement that aims to transform how products are built and launched. It works by releasing products as early as possible and relies on experimentation based on early customer feedback. Lean Startup thinking reduces waste by developing only the absolutely necessary features needed for testing the viability and market fit of a product or service. Lean startup emphasizes customer feedback over intuition and flexibility over planning. In other words, Lean Startup promotes failing fast to avoid

time and money wasting. It is widely used by startups that have extremely low budgets to launch disruptive products. Despite its name, the thinking and techniques described in Lean Startup are useful in organizations of any size.

Communities of practice

Communities of Practice come together around common interest and expertise. Cultivating Communities of Practice is the keystone of an effective knowledge strategy required for digital success. To boost agility and self-management, the formation of Communities of Practice shall be encouraged, both in organized and informal forms. Such communities may be delegated the accountability of talent development, participation in recruitment and employee performance evaluation, formation of standards and frameworks and organizing and spreading knowledge across organizational unit boundaries.

Digital Skills

Living and working in the digital era requires many skills beyond the usual job description. Borders are blending in competencies, more and more people become proficient in multiple fields or disciplines. In a digital organization, a certain level of grasp of technology is a requirement from all employees, although obviously in varying degrees. It is crucial for a digitally ready organization to pay attention to developing their employees in such skills.

A common pitfall is when business people lack such digital skills and find it hard to cooperate with digitally adept employees. Naturally, this is true vice versa, tech gurus must also acquire a certain level of business competency. Cross-functional agile teams promote such two-way learning. Agile coaches must be prepared to deal with issues arising from willingness to learn.

Agile Mindset

In the core of the Agile Mindset lies the notion of accepting the fact that complex systems and activities, ones with emergent behavior are impossible to predict. It also includes embracing the Agile Manifesto and its twelve principles. Complexity can only be managed by continuous inspection and adaptation in a culture of candor and transparency. Elements of the agile mindset are transparency, understanding complexity, empiricism, timeboxing, ethical scope management, the Agile Manifesto and high-performance teams.

Scrum & Kanban

Scrum is a lightweight agile framework that helps people, teams and organizations generate value through adaptive solutions for complex problems. Scrum is founded on empiricism and lean thinking. Scrum employs an iterative, incremental approach to optimize predictability and to control risk. Scrum engages groups of people who collectively have all the skills and expertise to do the work and share or acquire such skills as needed. Scrum is being adopted in many domains holding essentially complex work, beyond software product development where Scrum has its roots.

Kanban is a Japanese term meaning *signboard* or *billboard*. It is a lean method to manage and improve work across human systems. Kanban aims to manage work by balancing demands with available capacity, and by improving the handling of system-level bottlenecks. Work items are visualized to give participants a view of progress and process, from start to finish, usually via a Kanban board. Work is pulled as capacity permits, rather than work being pushed into the process when requested. Work in progress is limited to alleviate pressure and keep workers motivated. Kanban is widely used outside lean manufacturing where it has its roots. Kanban is useful for managing work where work items continuously emerge, and demand is hard to predict or fluctuates.

In a digital/agile organization, most work is complex, so Scrum or Scrum combined with Kanban is a good starting point when looking for an agile framework. Scrum combined with Kanban is often called Scrumban. Both frameworks can be amended by the application of other agile practices, such as Extreme Programming.

A common pitfall is to force the application of Scrum in domains where some other form of agility may work better. Custom agile approaches can be set up using practices from different agile frameworks.

Another common pitfall is to bend or abandon the rules of Scrum soon after introducing the framework in an organization. Each element of the Scrum framework serves a specific purpose that is essential to the overall value and results realized with Scrum. Changing the core design or ideas of Scrum, leaving out elements, or not following the rules of Scrum, covers up problems and limits the benefits of Scrum, potentially even rendering it useless.

Scaling Agile

When a certain job requires more people to work together that fit a typical agile team, more teams must work together. When the number of teams reaches a certain threshold, some kind of scaling framework is required to manage agility with a high number of individuals.

Agile Engineering Practices

Certain practices within the field of software engineering promote, while others may hinder agility. Engineering practices that allow teams to deliver software earlier, release more easily and more frequently, achieve higher quality and better user satisfaction should be promoted, taught and applied in the production of digital solutions. With state-of-the-art engineering practices a digital organization may achieve an Enterprise Architecture that supports business agility. Communities of Practices shall play an important role in collecting, defining and teaching Agile Engineering Practices.

DevOps

The development and operation of digital systems are highly interdependent. The two activities affect each other in many ways which is hard to handle if the two processes and the professionals working on them are separated. Many development teams experienced that in order to *satisfy the customer through early and continuous delivery of valuable*

software they needed to take operation into their hands, otherwise working with a separate group of operations people with separate objectives may prove to be a bottleneck.

DevOps is a set of practices that combines software development (Dev) and IT operations (Ops). It aims to shorten the systems development life cycle and provide continuous delivery with high software quality. Other than it being a cross-functional combination of the terms and concepts for "development" and "operations," academics and practitioners have not developed a unique definition for the term "DevOps".

Data Science

Data science is an interdisciplinary field that uses scientific methods, processes, algorithms and systems to extract knowledge and insights from structured and unstructured data, and apply knowledge and actionable insights from data across a broad range of application domains. Data science is related to data mining, machine learning and big data. Data science may benefit business agility with data driven decisions instead of experimentation based on guessing. Although experimentation is crucial to agility, it shall only be used when data is not available or one is unable to extract the necessary information from existing data.

Risk Driven Security

Why data protection and cybersecurity are crucial to a digital organization requires no explanation. Similarly to physical security, protection against malicious activities may obstruct value creation. Strict security measures work against the user experience of legitimate users. Risk driven security deals with the opposing interest of security and efficiency. A digital organization must debate and define the *risk appetite* concerning security, avoiding conflicts and defining ways to resolve them.

Myths vs Science

In this section, we list toxic beliefs, traditions, assumptions, myths and destructive pop-wisdom that a digitally ready organization must reject. We also list scientific findings, concepts, principles, laws, skills & practices that are useful and shall be promoted and widely applied. Where applicable, we put the reject-promote pairs together to show contrast. Items are shown in no particular order. In future versions we plan to expand this list.

IT as service department

Many organizations view IT as a service department, which services the IT related needs of other departments. This old habit is no longer adequate in a digital organization. The role of IT is a driving role and is key to competitiveness.

Pressure Motivates

A common misconception about people is that stress or pressure motivates them to do more or better work. Although some self-imposed pressure may be motivating for some individuals, putting too much pressure on an agile organization or team is definitely toxic and works against agility. Use Diversity Management practices.

Proverbs

Although some proverbs convey the truth, a lot of them are completely false. Just because something has been around for a long time, it is not necessarily true. There are some proverbs that are about fallacies and cognitive biases, but Critical Thinking is needed to see which one is true, which one is false. When someone uses a proverb in their reasoning, stay alert.

Timeboxing

Timeboxing is allocating a fixed time period, called a timebox, within which a planned activity takes place. It is used by several project management approaches, most notably in agile. A common pitfall is to treat the end of the timebox as a deadline. Although there are some activities in agile that teams need to learn to fit in a predefined timebox, the end of a timebox is usually only signals it is time to inspect and adapt.

Parkinson's Law

Parkinson's law is the adage that *work expands so as to fill the time available for its completion.* It can refer to two phenomena. One is about the growth of bureaucracy within an organization the other is about timeboxing. If we select a too big timebox, work will expand to fill it. The best practice is to select small timeboxes, even smaller ones we think the work will require, and inspect and adapt at the end of the time box. This will create a small self-imposed pressure enough to motivate but not enough to cause stress.

False Assumptions

Avoid making decisions based on assumptions. If an assumption turns out to be false, it can have an adverse effect on work. In some cases, it can be devastating or even fatal. Fact checking or looking for evidence counters false assumptions successfully. When evidence is lacking, make a hypothesis instead and use experimentation to expose the validity of the hypothesis. Dare to challenge assumptions all the time and coach people to see such challenges as required for agility.

Talent

Many think that the origin of exceptional abilities is talent. Something we are born with and which cannot be acquired later. Research shows that there is no evidence for supporting this assumption. Although we are born with attributes that help the formation of certain skills, it is learning and practice that lead to great accomplishments. This is true for digital technology as well. No one is born with computing skills, but certain cognitive traits help learning and mastering them. Motivation plays a more important role in our ability, or rather willingness to learn a competence. We can say that if someone can tackle high school science, they will also be able to fathom Digital Skills as well.

Peter Principle

The Peter Principle states that a person who is competent at their job will earn a promotion to a position that requires different skills. If the promoted person lacks the skills required for the new role, they will be incompetent at the new level, and will not be promoted again. If the person is competent in the new role, they will be promoted again and will continue to be promoted until reaching a level at which they are incompetent. Reject this principle, and promote employees based on their ability to fulfill the new role. Agile organizations appreciate experimentation, which can also be applied to promotions.

Dilbert Principle

The Dilbert principle, by contrast to the Peter principle, assumes that hierarchy just serves as a means for removing the incompetent to *higher* positions where they will be unable to cause damage to the workflow, assuming that the upper echelons of an organization have little relevance to its actual production, and that the majority of real, productive work in a company is done by people lower in the power ladder. Unlike the Peter Principle, the promoted individuals were not particularly good at any job they previously held, so placing them in a supervisory position is a way to quietly remove them from the workforce without actually firing them. Flat organizational structures, transparency, measurement of results and continuous performance feedback by peers may curb the effects of this principle.

Negative Selection

Negative selection is a political process that occurs especially in rigid hierarchies, sometimes even in corporations. The person on the top of the hierarchy, wishing to remain in power forever, chooses his associates with the prime criterion of incompetence – they must not be competent enough to remove him from power. Since subordinates often mimic their leader, these associates do the same with those below them in the hierarchy, and the hierarchy is progressively filled with

more and more incompetent people. This phenomenon is based on false assumptions. Reject negative selection and promote competent employees to key positions. Doing so will increase productivity and make the leader's position stronger. Hierarchy is also the adversary of agility. Building flat organizational structures, improving transparency, measurement of results, continuous performance feedback by peers and executive coaching may remove negative selection.

Logical fallacies

A fallacy is the use of invalid or otherwise faulty reasoning in the construction of an argument. A fallacious argument may be deceptive by appearing to be better than it really is. Some fallacies are committed intentionally to manipulate or persuade by deception, while others are committed unintentionally due to carelessness, ignorance or due to some bias or other emotional effect. Fallacies cause lots of wasteful, time consuming disputes or erroneous decisions. Wasting time and effort is against Lean Thinking. Reject the use of logical fallacies and train employees to spot and correct them. The understanding of logical fallacies is key to Critical Thinking and Digital Readiness.

Cognitive Bias

A cognitive bias is an anomaly in one's thinking leading one to diverge from rational thinking, reasoning or decision making. Cognitive biases may sometimes lead to perceptual distortion, inaccurate judgment, illogical interpretation, or what is broadly called irrationality. Awareness has been applied to battle such biases. Employees shall be trained to be aware and spot biased thinking. The understanding of cognitive biases is key to Critical Thinking and Digital Readiness.

Excellence

Excellence is hard to define. It is between good enough and perfect. Good enough is *satisficing*, pursuing a course of action that will satisfy the minimum requirements necessary to achieve a particular goal, enough to keep customers and sometimes attract some new. Perfect is when all customers are super happy, but margins are low, because too much cost is associated with this happiness. Excellence provides a customer experience that drives the required growth, customers are satisfied, they become advocates of the brand, but no more. Servant leaders shall advocate Excellence.

Value Based Thinking

Value Based Thinking is a leadership philosophy where instead of focusing on keeping costs low, focus is on maximizing value. Focusing on value does not mean neglecting cost management. When practicing value based thinking, a manager considers the opportunity for increasing revenues, before turning to controlling costs. Costs shall be kept low by optimizing processes, not by exploiting employees or hurting the company image by low quality products. Trying to control costs aggressively frequently backfires and causes losses due to low quality work, increases stress, higher staff turnover, among others. Scrum Product Owners are required to practice Value Based Thinking.

Values Driven Leadership

Values-driven leadership implies a conscious commitment by leaders at all levels to lead with their values and create a corporate culture that optimizes financial performance, ethical practice, social contribution and environmental impact. Defining Core Values is essential for practicing Values Driven Leadership.

Silos

Silos are organizational units that poorly perform in the field of sharing information and aligning strategy, among others. Rigid hierarchies and traditional departmental divisions are usually silos. Poor Enterprise Architectural design may also lead to information silos. Silos are not suitable for the digital era. A digital/agile organization shall reject silos and build a flat organization around Value Streams built from self-managing agile teams that are strategically aligned with Strategic Objectives and communicate frequently, even between official ceremonies, such as QBRs.

Celebrating failure

A common pop-wisdom has that failures shall be celebrated. In reality, not all failures shall be celebrated, only the ones that are the result of a deliberate experimentation. When failure is the result of ignorance, incompetence or some other bad practice, it should not be celebrated. Learning shall be celebrated, even when an experiment fails.

Big Room

Achieving alignment in a meeting in large organizations is often thought to be difficult or impossible due to the high number of required participants. There are facilitation techniques, such as the Fishbowl, that enable more than one hundred people to effectively debate and make decisions together. Big Room discussions require a skilled facilitator.

Fishbowl

Facilitation technique for discussions with a large number of participants. Proven to be useful for Big Room planning sessions. Fishbowl relies on participants self-managing the discussion after a brief introduction to the mechanism.

Consensus

Agile teams and organizations should make decisions with consensus. Consensus is often thought to be difficult or impossible to reach, especially with a large number of participants. If employees share Core Values, have a common Purpose and Vision and share Objectives, consensus is more quickly achieved than many would think. Reaching consensus regularly requires a skilled facilitator, even in small teams.

Certification fallacy

One often thinks that having a certification in a field means expertise. Unfortunately, this is not always true. There are certain organizations that give out certifications in exchange for a fee and their interest is to sell not to make it hard to

achieve a pass score. Such certifications are common in the field of agility. A good tip is to choose a certification where pass rates are published and are way lower than hundred percent.

Feedback culture

A feedback culture is a corporate culture where feedback is gladly given and received. In such a culture, all employees feel safe to give and receive feedback regardless of their position. This framework promotes a Feedback Culture based on relentless candor, courage, openness and respect. Feedback Culture is not easy to build, it requires patience and coaching. The events in this framework give employees ample opportunity to give feedback, although the goal is to achieve continuous feedback. Giving feedback has to be learned, as giving feedback in the wrong way or with inappropriate timing may cause more harm than good.

Fixed CAPEX/OPEX

A common pitfall of growing or large organizations is to fix the capital and operational expenses in advance and not be flexible about changes. Although sometimes this is a reasonable effort to control expenses, more often than not it is merely a tradition. Agile organizations may decide about major expenses well into the business year, so agility in the field of controlling is also needed. Managers often circumvent these limitations anyway by gentleman agreements with suppliers, creating waste by causing financial loss.

End of year spending spree

A common pitfall of growing or large organizations is to allocate budgets based on how the given organizational unit spent previous year's budget. This often leads to a spending spree where budgets are spent regardless of the need and value generated, only to avoid a budget cut. Agile organizations must reject this practice and base budget planning on Strategic Objectives, reviewing them at least quarterly and practicing Value Based Thinking.

Impeding contracting process

Bureaucratic contracting rules often impede the ability of agile teams to procure goods and services for themselves in a timely fashion to support agility. Contracting is often delegated to the legal team that has very little understanding of the business arrangement and technological details. This further slows the process down. Agile organizations shall reject this practice. Managers shall be accountable for contracting. It is also their responsibility to outline a contract with all business and technology related terms. The legal team must assist the managers by proactive consulting, mentoring, preparation and review of the legal documents. Legal team shall make sure the business terms are legal and enforceable and contracts comply with corporate regulations. Members of self-managing teams are considered managers from this perspective. For complicated contracts, organizing a workshop involving the contracting third party to create the outline of terms or discussing contested terms is an efficient practice. Reject sending documents around in e-mail with tracking changes until the very last stage. Content management software with collaboration features may also be used. It is advisable to build a legal team that is proficient in agility and is able to work with and serve the needs of agile teams.

Corporate rules and regulations

Guidelines, internal rules and regulations are considered necessary for growing and large organizations. Although they may be useful, more than often inflexible rules make generating value harder and cause the generation of waste, hampering agility. Agile organization shall reject rigid rules and maintain a system where rules can be updated, as necessary. Such changes shall be rapidly executed. Rules shall also be regularly reviewed and updated. Nurture a culture where challenging rules and regulation is not frowned upon by upper management or compliance staff but seen as a way to improvement and growth. It is advisable to build a compliance team that is proficient in agility and is able to work with and serve the needs of agile teams.

Impeding procurement processes

Centralized procurement is an appropriate way to reduce cost when procuring simple goods en masse. Procurement of more complex goods, such as IT infrastructure or agile solution providers, centralized procurement may hinder execution speed and thus inhibit agility. Consider which causes bigger waste: a potential inferior procurement decision or delays in agile execution that lead to loss of motivation, curbed agility and slower time to market. It is advisable to build a procurement team that is proficient in agility and is able to work with and serve the needs of agile teams.

Analysis paralysis

This phenomenon occurs when a team tries to plan or design a complex system up-front and gets stuck in the process. Since complex systems exhibit emergent behavior, it is impossible to analyze and plan such systems up-front. When a team tries to do it anyway, they feel that they are on a mission impossible but are unable to recognize or admit it. This leads to an endless planning and design process, practically paralyzing the team. Agile processes reject up-front planning and promote an emergent process instead ins short iterations with real customer feedback.

Command & Control

Command-and-control management is categorized by systems thinkers as the dominant method of management in the Western world. Such management is prescriptive and hierarchical, built around silos where decision making is separated from work. It tries to control staff using *carrots and sticks* and usually measures arbitrary targets by binary comparison, most frequently the hitting of deadlines. Command and control management uses up-front planning and is inflexible to change. Command and control management is the antithesis of self-management and shall be rejected by digitally ready organizations.

GANTT charts

Some teams find GANTT charts useful for tracking progress, but these charts are mostly associated with traditional waterfall project management, up-front planning and deadline obsession. Transparent OKRs, simple release plans in table format or transparent product backlogs with forecast sprint dates usually do a better job at communication delivery plans. The time required to update fancy charts can be better spent on generating value.

Left-Brain vs. Right-Brain myth

The idea that there are right-brained and left-brained people is a myth. Although we all obviously have different personalities and talents, there's no reason to believe these differences can be explained by the dominance of one half of the brain over the other half. Reject or approach with suspicion theories and practices that rely on this myth.

Handoffs

Handoffs happen when work required for development of a product is divided between groups of people. In this case incomplete work is handed off to another team for completing more work. A common way to split work is separating design, implementation and testing. Agile development rejects this idea, as valuable insight and information is lost with each handoff. Use cross functional teams instead. When a product requires multiple teams, split up work in some other way to avoid handoffs.

Measuring employee engagement

It is a common practice in growing and large organizations to measure and improve employee engagement. Although employee engagement is important, measuring it is a fallacy of measuring intermediate results. While engagement is required, it is not an indicator of high performance in itself. Setting Strategic Objectives and measuring Key Results may be more fruitful and informative. Many employees, when asked in the absence of their managers, ridicule such surveys and consider it bullshiitake.

Measuring intermediate results

Measuring intermediate results is often misleading. Instead of measuring intermediate results focus on measuring what matters. Finding Key Results takes time to master but a seasoned OKR coach may help. Always think in value chains and it's a generally good practice to look for Key Results at the end of such value chains. Startup investors look for profit, revenue, growth rates, low churn rate, among others, as they are real results indicating business performance.

Won't work in large organization

Many managers of large organizations dismiss practices that originate in startups as something that *won't work in a large organization*. There is proof that almost all practices can be applied in companies of any size. The reason many such initiatives fail is not the size of the organization but the lack of holistic approach. If a certain practice is taken out of the startup context and inserted into a large, bureaucratic, command and control organization, it will most probably fail. Such practices require a framework of agility and other outside-the-box practices, such as the Digital Readiness Framework™, to work in large organizations.

Courage is lack of fear

Courage is not the lack of fear but acting right or speaking up even in the presence of fear. Courage is one of the core agile values and no digital/agile organization can work without it.

Diversity Management

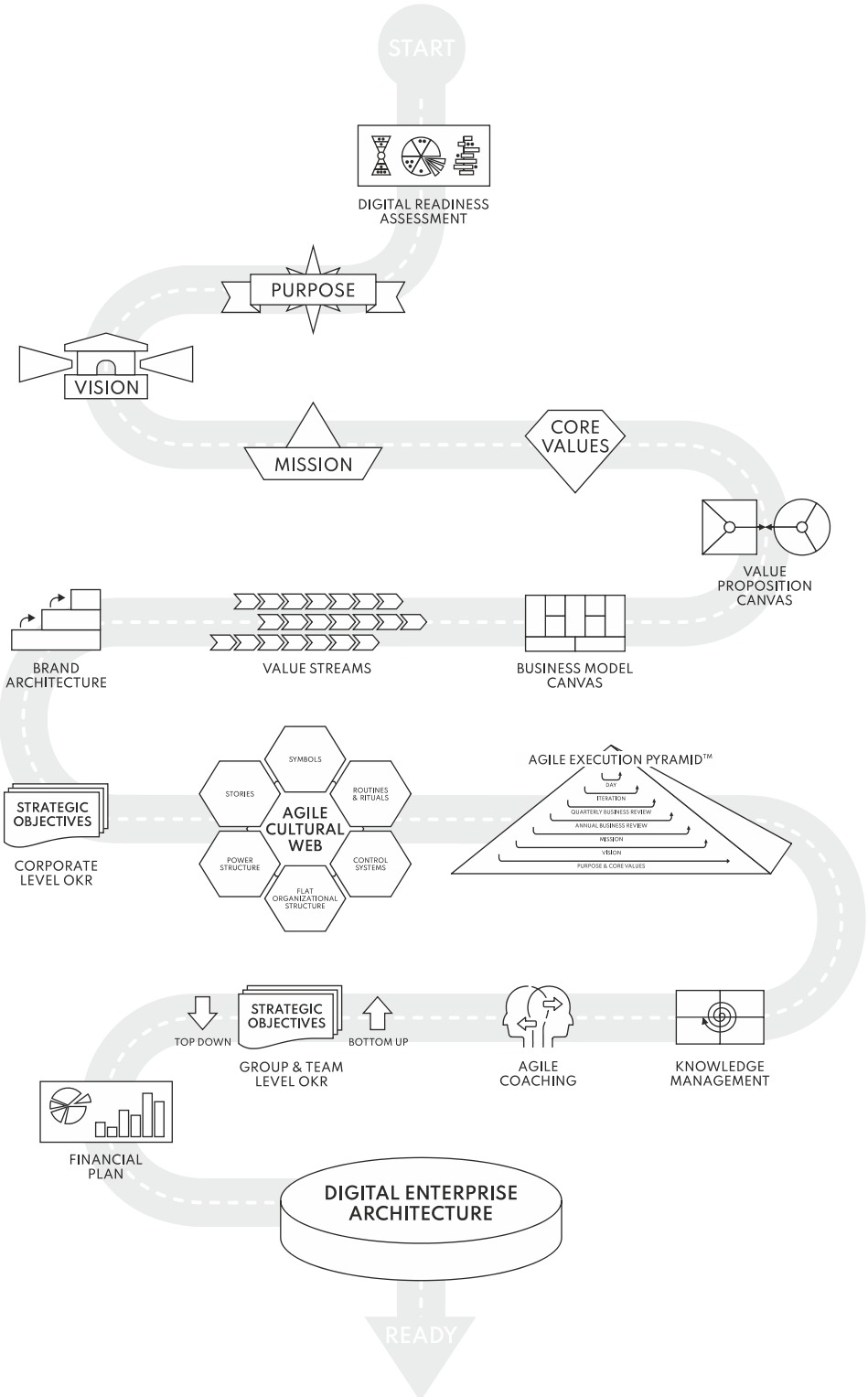
The practice of Diversity Management takes the differences of people into account when managing them. Servant leaders need to practice diversity management. Diversity management is sometimes reduced to the matters of cultural or ethnic differences, although behavioral differences may be more influential factors when considering performance at a workplace. Diversity management is especially important when managing digitally adapt or *geek* employees.

Managing Geeks

The word geek is a slang term originally used to describe eccentric or non-mainstream people; in current use, the word typically connotes an expert or enthusiast obsessed with a hobby or intellectual pursuit, such as digital technology, computers and computer programming. Managing members of this group requires a different approach. Their beliefs, behavior, group dynamics and the unique nature of the work they perform requires a great deal of learning from managers who only have experience with non-geek people. Purpose is important to geeks.

Unfortunately, some people use the terms geek or nerd pejoratively. Sadly, geeks are often written off by business people as weird, but necessary assets. Companies must reject this notion. Cross functional teams help both groups familiarize themselves with the differences of the others. The development of both groups in the area of Diversity Management is highly recommended because their cooperation is key to agility.

DIGITAL READINESS ROADMAP



About the Digital Readiness Roadmap

This roadmap shows the logical order in which building blocks of the Digital Readiness Framework shall be applied to an organization. This is a simplified logical order, not an order of actual events or activities, such as workshops or training events.

The roadmap illustrates how the blocks are built on or around one another. For the sake of simplicity, we did not include iterations and parallel paths in the diagram, but they will be indicated in the text below.

Digital Readiness Assessment

Assessing the current state of the company is advised as a step zero on the roadmap. The Digital Readiness Assessment has dual purpose. First, it establishes a compelling reason for change and application of the Digital Readiness Framework. The results give executives and managers an objective view of the Operational Values and the Readiness Level of the organization. Second, the results serve as baseline data for building and managing a purpose and values driven organization. The Digital Readiness Assessment is repeated annually as part of the Annual Business Review in the Agile Execution Pyramid.

Purpose, Vision, Mission

Everything in this framework is purpose driven, so defining the Purpose is obviously the first on the roadmap. Serves as a source of motivation. Defining a clear Vision is next, based on the purpose. Serves as an overarching goal for all activities. Purpose and Vision is followed by creating a master plan, a high-level plan for the entire organization for the upcoming years. This is the Mission.

Core Values

Core values are important for building the digital-agile organization, so their definition comes up-front, right after we have the Purpose, Vision and Mission trio. Starting the roadmap with values is also reasonable. Many executive teams work on the three in parallel, in a series of workshops, iterating frequently.

Knowledge Management

In the new cultural web, formal knowledge management is needed to assess existing knowledge and teach new practices required to make the business model reality. This is an ongoing process, that continues indefinitely. It is advisable to start preparation as early as possible, for as wide an audience as possible.

This way employees involved in the transformation will be prepared to take part and will make better decisions about their place in the agile organization and its strategy. Digital Readiness requires a mindset transformation, too. Teaching the tools and practices used in the transformation is also paramount.

Value Proposition and Business Model Canvases

Right after the foundations of the strategy, the next step is the business model. Using the Value Proposition Canvas, it is easy to discover and document what value can the organization provide its customers with, focusing on existing pain-points and possible gains.

The result is then inserted into the Business Model canvas, where other aspects of the business model are added, namely what is needed to provide the given value to customers and what is the high-level cost-revenue structure of the business.

Naturally, as new insight is gained from the business model, it is logical to iterate back to the foundations of the strategy to doublecheck.

Value Streams

Value streams must be identified and defined, so the organization can be organized around value streams for optimal execution. Such architecture makes handoffs inside a value stream avoidable, increasing agility and information flow.

Brand Architecture

After the business model and values streams have been defined and is transparent for employees, it is time to shift attention to the outside world. Brands influence how customers think and act when they come in contact with the organization and its products. It usually makes sense to iterate back to previous blocks about value creation.

Corporate level Strategic Objectives

After value generation, the business model and brand architecture have been defined, it is time to move to setting strategic objectives for the entire organizations. This is done by setting one to four corporate OKRs. These provide strategy to the entire organization to align with and follow.

Depending on the given organization, setting strategic objectives may precede creating a brand architecture, as some features of the brand may serve some strategic objectives. The best way is to iterate frequently when creating interdependent artifacts.

Agile Cultural Web

The second most challenging part of a digital-agile transformation is the rebuilding of the cultural web, notably the flat organizational structure. The most important input for designing the cultural web are the value streams, as flat agile organizations are built around them. In an agile organization each value stream is managed by a cross functional group of employees, usually made up of cross functional agile teams.

It is a common practice to start with an assessment of the existing cultural web, focusing on spotting good practices that are sometime informal but are key to execution. Many of the stories, symbols and rituals are replaced during this phase

with new ones. It is crucial to pay attention to the less formal part of a culture as these parts are emotionally important to employees.

Involving employees of all ranks in the transformation process is a useful practice. Facilitated big room events may prove as great tools for increasing awareness and involvement, also preparing employees for bottom-up planning and self-management which they are usually not used to.

Agile Execution Pyramid

The Cultural Web is about structure, the Agile Execution Pyramid is about executing strategy and managing work. The multi layered iterative execution provides agility. At the tip of the pyramid, different agile frameworks and practices may be used to manage work. Some organizations require custom built agile execution.

Agile Coaching

Implementing the flat Agile Cultural Web and the iterative Agile Execution Pyramid requires continuous support from Agile Coaches, coaches having immense knowledge of the agile way of working and thinking. Their presence is indispensable for guiding employees through change. Their absence increases the chance of reverting back to old practices.

Group and team level Strategic Objectives

Before agile execution in the new structure can begin, the corporate strategic objectives must be translated to group and team level. Groups of employees built around a value stream set their own OKRs in cooperation with the executive team and other groups. This brings top-down and bottom-up planning together. Agile teams may either create their own OKRs in a similar manner or form agile backlogs directly from group level OKRs.

It is advisable to always iterate back to the beginning of the roadmap especially when new insight is gained from cross team and bottom-up cooperation. New information may affect the corporate OKRs, brands, values streams, the business model or even the mission.

Financial Plan

At this point all is known for completing the financial plan for the new structure for achieving the new objectives. Financial planning is a continuous endeavor. From this point on, agile financial plans shall be reviewed at every QBR as part of agile execution.

Digital Enterprise Architecture

The most challenging part of a digital-agile transformation is updating the Digital Enterprise Architecture so that it serves the new organization with its new value streams and new strategic objectives. This may be a long process, even taking years depending on the size and age of the organization and the number and condition of monolithic IT solutions.

Ready

When all building blocks are in place, the organization is ready for the digital-agile way of working. Nonetheless work does not stop here. An agile organization requires regular inspection and adaptation, knowledge management and coaching must be continuously provided to keep agile execution working.

Definitions

Business Architecture

Business architecture is a discipline that represents a holistic, multidimensional business views of capabilities, end-to-end value delivery, information, and organizational structure, and the relationships among these business views and strategies, products, policies, initiatives, and stakeholders.

TGIF, TGIM

Thank God it's Friday is a common meme associated with work. It expresses gratification that the working week is nearly over, insinuating that the weekend is more pleasant than work. In our vision, people enjoy work, so we made a pun out of the meme by changing it to *Thank God it's Monday.*

Readiness

The state of being fully prepared for something or the willingness to do something. This document asserts that both are required for great leadership and culture.

Framework

Unlike a methodology a framework is a loose and often incomplete structure which leaves room for other practices and tools to be included but provides much of the process or structure required.

Integrative

Combining two or more things to form an effective unit or system.

Holistic

Dealing with or treating the whole of something or someone and not just a part.

Digitally Ready

Prepared and willing to embrace the digital era, to change how work is done. Prepared and willing to adopt the mindset and guidelines of this document.

Agile, Agility

Living the Agile Mindset. The entity of agile values, principles and thinking.

Agile Values

Defined in the Scrum guide, the values of commitment, courage, focus, openness and respect are applied in a wider sense in this document.

Complex

Complex is sometimes hard to grasp and easy to mix up with complicated. A system is complex when it has emergent behavior that is impossible to predict even with careful analysis.

Geek, Nerd

Slang used for technically adept people. Sometimes pejorative. *The author of this framework is a proud geek, so in this document these words are used positively and with pride.*

Bullshiitake

A softened version of *bullshit* by Guy Kawasaki, combining the word with a common Japanese food, shiitake mushroom as a reference to his Japanese heritage. Slang meaning rubbish, baloney or nonsense. Used usually as a rebuke in response to communication or actions viewed as deceptive, misleading, disingenuous, unfair, false, superfluous or superficial.

Pop-leadership, pop-wisdom, pop-psychology

Popular, usually nonscientific findings, many times condensed into an adage and spread in social media as memes. Pop leadership, wisdom or psychology sounds wise and profound, but it is more often either trivial or complete bullshiitake.

Carrots & Sticks

The outdated practice of motivating people with rewards and sanctions.

Overdocument

To document something excessively, usually only for the sake of compliance with a rule that demands intensive documentation. Another reason for overdocumenting is fear or not knowing how to retain knowledge correctly.

Disruption

Disruption describes a process whereby a smaller company with fewer resources is able to successfully challenge established incumbent businesses. Specifically, as incumbents focus on improving their products and services for their most demanding (and usually most profitable) customers, they exceed the needs of some segments and ignore the needs of others. Entrants that prove disruptive begin by successfully targeting those overlooked segments, gaining a foothold by delivering more-suitable functionality – frequently at a lower price. Incumbents, chasing higher profitability in more-

demanding segments, tend not to respond vigorously. Entrants then move upmarket, delivering the performance that incumbents' mainstream customers require, while preserving the advantages that drove their early success. When mainstream customers start adopting the entrants' offerings in volume, disruption has occurred. [1]

Risk Appetite

Risk appetite is the level of risk that an organization is prepared to accept in pursuit of its objectives, before action is deemed necessary to reduce the risk. It represents a balance between the potential benefits of innovation and the threats, that change inevitably brings.

Center of Excellence or COE

Within an organization, a center of excellence may refer to a group of people, a department or a shared facility. It may also be known as a competency center or a capability center. COE teams in a digital-agile organization shall for a special kind of agile team servicing other agile teams. COE-s are usually formed when a special skill is required throughout the organization but only occasionally, or when the talent required is so scarce or expensive that having dedicated experts in many teams is not feasible or economical.

Satisficing

Satisficing is a decision-making strategy or cognitive heuristic that entails searching through the available alternatives until an acceptability threshold is met. The term is a portmanteau of satisfy and suffice and was introduced by Noble prize-winning economist and cognitive psychologist Herbert A. Simon.

Cross-functional team

A cross-functional team is a group of people with different functional expertise working toward a common goal. Business and IT oriented people working closely together is one of the key principles of agility.

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List of sources

My mindset and the practices in this framework have been shaped by hundreds of books, probably thousands of articles and dozens of professionals and trainers I worked with in this quarter of a century. It is impossible to list all of them. I do my best and list the ones that significantly impact the Digital Readiness Framework™ or where there's a direct quote.

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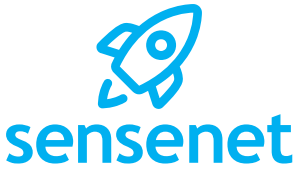

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